

Firmenich

**Performance
& Sustainability
Report
2016**

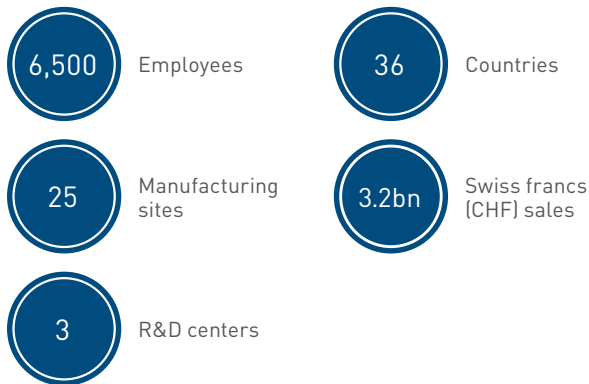
ABOUT FIRMENICH

ORGANIZATIONAL PROFILE

Firmenich is the world's largest privately owned company in the fragrance and flavor business.

Founded in 1895 and headquartered in Geneva, Switzerland, Firmenich has created many of the world's best-known perfumes and flavors enjoyed around the world, every day.

Firmenich reports its financial results and sustainability initiatives (following the GRI guidelines) on a fiscal year basis ending June 30. In this report, all references to "FY16" relate to the 12 months ended June 30, 2016.



OUR WORLD

Firmenich operates in three business divisions: Ingredients, Fragrances and Flavors.

- The Ingredient Division designs natural and synthetic perfumery and flavoring ingredients. This division was the first created 120 years ago.
- The Fragrance Division creates home care, body care and fine fragrances featuring Firmenich molecules and raw materials bought from suppliers.
- The Flavor Division crafts flavors used in Sweet Goods, Beverages, and Savory Products. Firmenich's Flavor Division aims to capture and capitalize on the continued consumer demand for healthier products.

As a supplier to the world's largest consumer goods companies and to a multitude of regional and local customers, Firmenich's environmental footprint and governance standards matter to our customers. Through our new generation of ingredients, leading delivery systems, ecodesign products and focus on health and wellness as well as hygiene and sanitation, we have anchored sustainability in the long-term interests of employees, local communities, customers and the environment.

Firmenich aims to uphold the sustainable development of our industry and the world, with specific targets focused on Ethics and Excellence; Environment and Resources; Innovation, Science and Society; Partnerships; and People and Communities.

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Cover printed on Colorplan Sapphire.
Inner printed on Oxygen Offset which is 100% recycled.
Designed and produced by SALTERBAXTER MSLGROUP.
Printed by Pureprint.

CHAIRMAN AND CEO LETTER



From left to right: Gilbert Ghostine, CEO; Yves Boisdron, Chairman of the Board

A HISTORIC YEAR

Fiscal Year 2016 (FY16) was a historic year for Firmenich, marked by our 120th Anniversary and a number of breakthrough achievements.

We recorded solid growth, reaching 3.2 billion Swiss francs (CHF), with an increase of 8.2% in local currency. We owe this positive momentum to all of our Business Units (BU) and regions, led by a strong performance in Perfumery, market share gains in Flavors and the solid momentum of our Ingredients BU.

120 YEARS OF PASSION FOR DELIGHTING THE SENSES

We engaged all of our stakeholders to celebrate our 120th Anniversary and legacy of world-class research and creativity, customer intimacy, and deep sense of social responsibility. To anchor the spirit of our Founding Fathers as a continuous source of inspiration, we inaugurated the Firmenich Museum in our global headquarters in Geneva, Switzerland.

Taking their legacy forward, we launched the Firmenich Next Generation Research Programs at Stanford University in the United States and the EPFL in Switzerland to advance breakthrough innovation in sustainability and neurosciences.

Patrick Firmenich, Vice Chairman of the Board, was inducted into the Fragrance Foundation's Circle of Champions in recognition of his extraordinary impact on the fragrance industry.

GLOBAL AND DIVERSE TEAM AND FOOTPRINT

This year, we welcomed three new leaders to our executive team to be part of shaping our future. Prof. Geneviève Berger joined us as Chief Research Officer, effective July 1, 2015; Jane Sinclair as General Counsel and Secretary to the Board, in January 2016; and Mieke Van de Capelle as Chief Human Resources Officer, on June 1, 2016.

We have a diverse executive team, located across all of our main business hubs and firmly dedicated to creating value for our stakeholders around the world.

Pursuing operational efficiency, we successfully ramped up the automation and capacity of our Perfumery plant in Geneva. Expanding our footprint in high growth markets, we inaugurated our state-of-the-art plant in Argentina and operations in Lagos, Nigeria. To develop our business in India, we named Satish Rao as our new Country Chairman and Managing Director in this key market.

PUSHING THE BOUNDARIES OF SCIENCE AND CREATIVITY

Advancing our world-class research and creativity, Firmenich published 29 patent applications this year to delight the senses and contribute to greater health and nutrition as well as hygiene and sanitation.

Enriching our portfolio of ingredients, we launched AMBROX® SUPER, a highly sustainable and cost-effective amber note. Building on the success of CLEARWOOD®, it further anchors our leadership in white biotechnology.

Pursuing our vision to develop alternative sources of proteins for greater health and nutrition, we advanced our research in biomarine science to demonstrate the many nutritional benefits of marine proteins.

Building on our partnership with the Bill & Melinda Gates Foundation to "Reinvent the Toilet", we developed cutting edge malodor counteracting solutions. Recognized as ground-breaking science by Bill Gates and his team at the Bill & Melinda Gates Foundation, our technologies associate our unique fragrance creation capabilities with our deep understanding of olfactive receptors.

Our creativity stood out at this year's Fragrance Foundation Awards, as Firmenich won over 20 accolades around the world. Our leading Culinary Science was also celebrated at the occasion of our unique "Excellence in Plants: from Biology to Culinary" event.

INNOVATIVE PARTNERSHIPS

Taking a leading stance on climate change, we actively engaged in the Paris COP21 Summit and signed the Paris Pledge for Action. At this occasion, we were elected as co-chair, alongside P&G, of the WBCSD's¹ Cluster for Sustainable Lifestyles.

Demonstrating our commitment to responsible sourcing, we launched our Naturals Together Campaign, sharing how we actively partner across our value chain to source the best that nature has to offer. Engaging leading sustainability and traceability practices, our work positively impacts the lives of more than 250,000 farming families around the world.

To scale up our impact in this area, we joined the Livelihoods Fund For Family Farming to support sustainable farming practices around the world, along with like-minded visionary partners. This investment builds on our successful engagement with the Livelihoods Carbon Fund, elected "Best Corporate Offsetting Program" by the market in 2016.

As signatories of the United Nations (UN) Global Compact, we are active champions of its principles and Sustainable Development Goals (SDGs). To advance our work in support of the SDGs, we hosted a panel of world experts mobilizing leading Swiss Companies, including Nestlé, Richemont and Crédit Suisse to go further together.

SUSTAINABILITY: PATHWAYS TO POSITIVE

We launched ambitious and industry-leading environmental goals for 2020, supported by a CHF 15 million commitment to invest in renewable energy. This year, we also became the first Fragrance and Flavor House to use CDP Supply Chain Climate Change and Water Reporting.

¹ WBCSD : World Business Council for Sustainable Development.

We were recognized by a number of prestigious distinctions, including the DuPont “Safety and Sustainability Award 2015” and Ethical Corporation’s “Head of Sustainability of the Year”. As a result of our integrated sustainability strategy, we attained a perfect “100A” score in the CDP Supplier Climate A List, and a “Gold” status with EcoVadis, for our leadership in combating climate change.

Our commitment to safety was honored by the New Jersey State Authority for operating for 10 years without any lost-time injuries at our Newark plant. Also, the Swiss Accident Insurance Organization (SUVA) recognized our industry-leading safety performance with their “Excellence Award”.

TAKING OUR LEGACY FORWARD

Our performance was driven by the trust of our customers, who rely on us every day to help win the hearts of billions of consumers; our industry-leading investment in world-class research and creativity to offer our customers cutting-edge solutions; and the passion and commitment of our colleagues, firmly focused on value creation.

We thank you for your interest in our company and our journey of sustainability. We hope that you find this report engaging and informative and that you will gain a real sense of the progress we are making.

On behalf of the Board and Executive Committee, we would like to thank all of Firmenich’s 6,500 colleagues for their efforts, energy and the successes that you will read about in this Performance and Sustainability Report.

Warmest regards,

Gilbert Ghostine
Chief Executive Officer

Yves Boisdron
Chairman of the Board



Board of Directors

From left to right: Mr. Michel Firmenich, Dr. Antoine Firmenich, Mr. Olivier Bazil, Ms. Barbara Kux, Mr. Yves Boisdron (Chairman), Ms. Karen Jones, Dr. Ajai Puri, Mr. Patrick Firmenich (Vice Chairman), Mr. André Pometta



Executive Team

From left to right: Mr. Eric Nicolas (Group Chief Finance Officer, Corporate Vice-President Strategy and Global Services), Ms. Mieke Van de Capelle (Chief Human Resources Officer), Mr. Bhavesh Shah (Chief Purchasing Officer), Ms. Jane Sinclair (General Counsel and Secretary of the Board), Mr. Gilbert Ghostine (CEO), Prof. Geneviève Berger (Chief Research Officer), Mr. Armand de Villoutreys (President Perfumery Division), Mr. Christopher Millington (President Flavor Division), Mr. Boet Brinkgreve (President Ingredient Division and President Firmenich China)

R&D PERSPECTIVES



Geneviève Berger
Chief Research Officer

A LEADER IN MULTIDISCIPLINARY RESEARCH

Through innovation and research, Firmenich contributes to addressing global health, hygiene and sanitation challenges and explores new sustainable lifestyles.

Our multidisciplinary research allows us to differentiate our broad flavor and fragrance ingredients portfolio. In 2014, after more than 10 years of research, we launched CLEARWOOD®, a white biotechnology¹ fragrance ingredient. In 2016, less than two years after its release, CLEARWOOD® won the Innovation Award from the Soap, Perfume, Cosmetic and Detergent Experts Association (SEPAWA), one of our industry's largest and most prestigious associations in Europe. Firmenich published 29 patent applications for new ingredients and processes in FY16, continuing on our path to conduct cutting-edge research and deliver breakthrough ideas and solutions.

The appointment of Chief Research Officer Geneviève Berger, who has a multidisciplinary background in medicine, physics and human biology, has underlined Firmenich's determination to push scientific boundaries to create breakthrough ingredients that improve well-being including: health, nutrition, hygiene and sanitation. Firmenich's collaborations with leading universities, global non-profit organizations, industry associations and government agencies demonstrate our commitment to co-creating and catalyzing innovative solutions to improve quality of life and protect our planet.

SCIENCE AND GLOBAL CHALLENGES

Firmenich is playing a role in the world's hygiene and sanitation challenges. As an example, to reduce epidemics and child mortality, we work on malodor-counteracting technologies to remove bad smells from toilets and encourage the use of latrines instead of public spaces. In FY16, we welcomed Bill Gates to our Geneva site, where he met the teams who have worked with the Bill & Melinda Gates Foundation for the past four years. During this extraordinary collaboration, our scientists have published several research papers, sharing their malodor control discoveries with the public to ensure they benefit all.

Firmenich's Research and Development team will continue developing game-changing perfumery and flavor ingredients to help solve global issues.

INGREDIENT PERSPECTIVES



Boet Brinkgreve
President Ingredient Division,
President Firmenich China

EXCELLENCE IN INNOVATION AND EXECUTION

The Firmenich Ingredient Division achieved solid growth in FY16. We oversaw a record number of new processes that successfully transferred to production and drove significant volume growth for established and new ingredients. Our specialities are highly sought after by perfumers around the world and we will continue to deliver high-value, proprietary ingredients to our customers to delight consumers worldwide.

STRENGTHENED LEADERSHIP IN WHITE BIOTECHNOLOGY¹

After launching CLEARWOOD® in 2014, Firmenich further strengthened our leading position in the flavor and fragrance industry in the promising field of white biotechnology. We successfully scaled-up a breakthrough production process for AMBROX® SUPER, a signature Firmenich ingredient. This new industrial process will allow us to create a sustainably-produced, high-quality ingredient for the long term.

PERSPECTIVES ON THE FUTURE

The market for biotech ingredients will remain a focus for the Firmenich Ingredient Division. Innovation is key to our strategy as we strive to improve our processes and reach our environmental and economic performance targets. Natural ingredients will also be a strategic focus as market shortages and increasing demand could create supply tensions on a number of commodities or specialities.

INSPIRING!

Dedication, passion and knowledge drive our talented communities of perfumers, chemists, process engineers and regulatory experts to pioneer extraordinary ingredients. When perfumers and scientists collaborate freely, inspiration and engagement soar and they deliver high-value projects to our creative communities.

¹ White biotechnology uses enzymatic or fermentation processes to make ingredients, as an alternative to chemical synthesis.

PERFUMERY PERSPECTIVES



Armand de Villoutreys
President Perfumery Division

GROWTH AND LEADERSHIP

Perfumery grew across all categories and regions, thanks to a well-balanced geographical footprint and proximity of our experts, customers and their consumers around the world. Our continued success also stems from our marketing and consumer insights and our focus on creativity and innovation.

In fine fragrance, we strengthened our leadership position in mature regions. We extended our fine fragrance perfumer presence in Dubai to better meet the growing needs in the India, Middle East and Africa (IMA) region.

Body and home care posted solid growth. Our success came in mature regions, particularly North America, and in high-growth markets, with double-digit growth in Latin America and strong progression in Asia. New fragrance delivery systems combined with high-quality ingredients drove higher sales in all market categories for local and global customers.

To ensure this growth continues sustainably, we invested in our manufacturing facilities. Our largest production site in Geneva has a high level of automation to give our customers more flexibility and improved safety and working conditions for our people.

We committed to improve the lives of 250,000 smallholder farmers who provide us with the most exclusive naturals in the industry. We also reasserted our commitment to improve access to sanitation through our partnerships with the Toilet Board Coalition and the Bill & Melinda Gates Foundation.

DIGITAL EMPHASIS

Globally, Firmenich has embarked on an innovative approach to understanding the role of fragrance in the digital domain and optimizing the virtual purchase experience of fragranced products. In FY16, our teams analyzed online consumer behavior and preferences to capture how fragrance aficionados value and respond to perfumes online. We can use these findings to help our customers create impactful, engaging and emotional online fragrance experiences.

NATURALS TOGETHER

In November 2015, Firmenich held, for the first time in North America, our Naturals Together event. This initiative aims to protect natural ingredients, improve farmers' livelihoods and promote biodiversity. Through this platform, Firmenich fosters closer collaborations between farmers, producers, perfumers and our customers, building an inclusive and transparent value chain. Our unique approach echoes perfumery consumers' desires for a more sustainable and transparent supply chain. More than 200 customers and partners attended this unique multisensorial event.

FOCUS ON SANITATION AND MALODOR CONTROL

In FY16, Firmenich continued to improve sanitation access by focusing on malodor control. We are combining traditional perfumery and cutting-edge research to develop a new generation of malodor-suppressing technologies that perform in hygienic toilets and can be widely used at a low cost. More than 400 people in Kenya, South Africa, and India participated in a consumer insights project to design a breakthrough malodor-counteracting solution, which will be commercialized in the near future.



Patrick Firmenich, Vice Chairman of the Board

INSPIRING!

In December 2015, the Fragrance Foundation in New York honored Patrick Firmenich with the prestigious Circle of Champions Award in recognition of "his extraordinary impact on the fragrance industry". In his thoughtful and moving acceptance speech, Patrick spoke of the responsibilities companies have toward society and in respecting the planet for future generations.

PERSPECTIVES ON THE FUTURE

Health and well-being is an overarching and growing trend in both mature and developing markets. Firmenich also expects to see the cosmetic and personal care market expand, driven by an aging population in mature countries.

New retail formats (including specialty retail and e-commerce) and consumer behaviors driven by Millennials led to a fundamental shift in the fragrance industry. Our "Global Millennials Code", which decodes Millennials' buying habits and preferred fragrances, provides our clients with tools to better engage these consumers in a changing market. Beyond Millennials, consumer demand for more sensorial experiences and positive emotions is also increasing significantly. Our Global ScentMove^{®2} model uncovers links between emotions, products and ingredients for our clients.

Firmenich will continue to advance innovation, creativity and sustainability to shape tomorrow's fragrances, heighten pleasurable sensorial experiences and create memorable moments for future consumers around the world.

2 The Firmenich ScentMove[®] tool enables us to understand how consumers describe their emotions when smelling fragrances. It is a proprietary approach our development teams use to identify scent codes that trigger consumer emotions.

FLAVOR PERSPECTIVES



Chris Millington
President Flavor Division

INCREASED SALES

Flavors posted increased sales versus last year, with growth seen in nearly every region of the world and across all three segments: Beverage, Sweet Goods, and Savory. Consumer demand for healthier products has become the new business reality, and Firmenich is responding through continuous innovation and creation of flavor solutions for our customers.

Beverages saw impressive growth globally and across categories including hot drinks, juices and nectars, and special soft drinks. Beverage consumers were drawn to fruity tonalities such as berries and grape. Brown notes including caramel and vanilla also delighted palates around the world.

Our Sweet Goods business experienced solid growth, led by mature markets. We saw strong performance in categories such as bakery and cereals, confectionery and dairy. Brown notes, the perennial segment favorites, did not disappoint, as consumers gravitate toward tonalities such as vanilla in their sweet goods. Mint, a bedrock of the confection category, was also in high demand.

In Savory, classic tonalities continued to be popular around the world and we saw positive growth, particularly in Latin America, Southeast Asia and Europe. We are building solid momentum in savory and will invest in this important segment in the years ahead.

BIOMARINE INGREDIENTS

We have entered a new era in the world of food and beverages, where innovation and foresight are required more than ever to meet our customers' needs. We are taking a leadership role in sustainable production of natural seafood ingredients to serve the global health and nutrition market. Our biomarine ingredients show promise in helping maintain a healthy lifestyle. We are putting our innovation to work so our sustainable sources of protein play an important role in customers' growing demand for health and wellness products.



© Lukas Gajda

Coconut was named Flavor of the Year for 2016

ADVANCING OUR UNDERSTANDING OF THE FLAVOR EXPERIENCE

In 2016, Firmenich announced an investment to further develop our Analysis of Flavor and Fragrances in Real Time, or AFFIRM®, technology's flavor design process. AFFIRM® objectively measures the release kinetics of aroma molecules during food consumption or preparation, allowing quantification (at low level) of flavor molecules released from a food matrix as it is consumed or prepared.

Our investment will allow us to understand more complex flavor systems by measuring more volatiles in real time and with higher precision, greater sensitivity and better refinement than ever before. This improved accuracy will allow us to create consumer-preferred flavors faster and more cost-efficiently. As a result, we will move from analyzing flavor performance to predicting flavor performance.

COMMITMENT TO EMERGING MARKETS

In FY16 we opened our first Flavor facility in Lagos, Nigeria. The site includes offices and labs for Sweet Goods, Beverages, and Savory product development, allowing us to grow our business across all segments in this ever-growing market. Having a presence in Lagos ensures we remain close to our local customers and can fully understand their needs and provide them with best-in-class service. Last year, we also increased our sales representation in Egypt, another focus country for the Flavor Division.






INSPIRING!

2016 FLAVOR OF THE YEAR: COCONUT

Coconut has been used for centuries in Southeast Asian cuisine, but embraced globally only in more recent years. Before, in much of the Western world, coconut would conjure up thoughts of sugary-sweet cocktails such as piña colodas. It wasn't until coconut water hit the shelves en masse between 2005 and 2008 that the world took serious notice. Since then, coconut has pervaded the food and beverage world and its popularity shows no sign of slowing. "This new generation of coconut flavors in particular is modern and redefined, adding freshness and giving a different spin to products compared to the well-established 'classic coconut' flavors," says Gerry Van Gerven, Senior Flavorist at Firmenich in Thailand.

SUSTAINABILITY AT FIRMENICH

FY16 HIGHLIGHTS

 <p>IN ETHICS AND EXCELLENCE Became the first Fragrance and Flavor House to use CDP Supply Chain Climate Change and Water Reporting</p>	 <p>FOR OUR ENVIRONMENT AND RESOURCES Achieved a 100A CDP score</p>	 <p>IN INNOVATION, SCIENCE AND SOCIETY Received first prize for innovation at the 2015 SEPAWA award ceremony in Fulda, Germany</p>	 <p>FOR OUR PARTNERSHIPS Bérangère Magarinos-Ruchat named Sustainability Head of the Year by Ethical Corporation</p>	 <p>FOR OUR PEOPLE AND COMMUNITIES Achieved a total recordable case (TRC) rate of 0.25 per 200,000 exposure hours, a 41% improvement</p>
<p>Received the DuPont Safety & Sustainability Award for Operational Excellence</p>	<p>Reached zero waste-to-landfill at 40% of our manufacturing sites</p>	<p>Published 29 patent applications</p>	<p>The Livelihoods Fund, in which we have invested since 2014, was named “Best Corporate Offsetting Programme” in 2016</p>	<p>Successfully assessed 50% of our company against the Gender Equal Pay Principles</p>
<p>Trained 99% of employees on our Code of Ethics and Business Conduct</p>	<p>Sourced 61% of electricity from renewable or offset</p>	<p>Hosted 100 scientists at a conference on marine peptides</p>	<p>Partnership building was reaffirmed in FY16 as the Firmenich sustainability signature, with six board positions</p>	<p>Extended our apprenticeship program to five countries (Austria, Germany, Belgium, France, and Switzerland)</p>

MATERIALITY UPDATE

At the end of 2014, we conducted a materiality assessment with help from the global think tank, Forum for the Future. In FY16, we updated our materiality matrix and reassessed all material aspects. As part of the process, we surveyed 50 internal and external stakeholders including company personnel, global business partners, clients, non-profit organizations and outside

experts. We followed up with one-on-one interviews and presented the results to our Sustainability Council in May 2016, to get feedback on our findings.

The material issues identified influenced our 2020 strategy and will inform how we integrate sustainability into our business strategy and shape

our reporting. We will evaluate materiality biannually to anticipate changing trends and identify new opportunities and risks.

The matrix, available on www.firmenich.com, shows the issues identified as being of utmost importance to our internal and external stakeholders. All issues are covered in this report.

PATHWAYS TO POSITIVE

In 1991, Firmenich signed the International Chamber of Commerce Business Charter for Sustainable Development. Twenty-five years later, our commitment has never been stronger as we set ambitious 2020 sustainability goals.

Our vision is to become a carbon neutral company and positively contribute to society by setting best-in-class health and safety standards across our value chain, using our innovation and research to improve quality of life, and implementing an integrated responsible sourcing program to raise livelihoods of smallholder farmers.

Our FY16 achievements in health and safety, environmental performance, malodor control and sanitation, flavor innovation and responsible sourcing are a testament to our progress and commitment to sustainability.

We focused our 2020 sustainability goals in areas relevant to our Fragrance, Flavors, and Ingredients Divisions, following five priority pathways: Ethics and Excellence; Environment and Resources; Innovation, Science and Society; Partnerships; and People and Communities. We look forward to taking our performance to the next level by 2020, and pursuing 26 sustainability goals.

These five pathways comprise the framework for this report and are discussed in the following sections, identifying our initiatives, achievements and challenges in FY16 against our 26 goals.

In 2014 and 2015, Firmenich took an active role in the stakeholder consultation process on the development of the Sustainable Development Goals (SDGs) with the Swiss government.

In FY16, Firmenich participated in a workshop with the United Nations Secretary-General's Special Adviser on Post-2015 Development Planning during which she noted how companies were more involved in the creation of the SDGs and had started to include sustainability in their business models.

At Firmenich, we are inspired to be part of this global movement aiming at positively transforming society. We have included the SDGs' 17 social and environmental goals in the development of our 2020 sustainability strategy, especially in our focus on access to hygiene and sanitation, improved nutrition and environmental performance.

In May 2016, we hosted a panel discussion on the SDGs and business in Geneva, Switzerland, with the UN Global Compact.

In the future, with the help of our Sustainability Council Members, we will continue being fully engaged in the SDGs and Business projects, including reporting on our progresses against SDG targets.

2020 TARGETS



IN ETHICS AND EXCELLENCE

1. Audit and validate human rights across the Firmenich value chain
2. Become the first Flavor and Fragrance House with a transparent supply chain via CDP
3. Lead the industry in the Nagoya Protocol
4. Set the standard for product quality
5. Implement a best-in-class legal compliance program



FOR OUR ENVIRONMENT AND RESOURCES

1. Reduce absolute CO₂ emissions by **20%**
2. Reduce the rate of water use in stressed areas by **25%**
3. Reduce waste generation rate by **15%**
4. Ensure **100%** of our manufacturing sites can claim zero waste-to-landfill
5. Eliminate R22 from our global manufacturing refrigerant inventory
6. Obtain **100%** of electricity for Level 1 sites¹ from renewable sources or offsets



IN INNOVATION, SCIENCE AND SOCIETY

1. Improve quality of life through nutrition, hygiene and sanitation
2. Develop sustainable and cost-effective flavor and fragrance ingredients and technologies
3. Deliver malodor control systems for home care consumer products
4. Strive for industry leadership in environmental risk assessment of our ingredients and technologies
5. Accelerate go-to-market, through co-innovation partnerships



FOR OUR PARTNERSHIPS

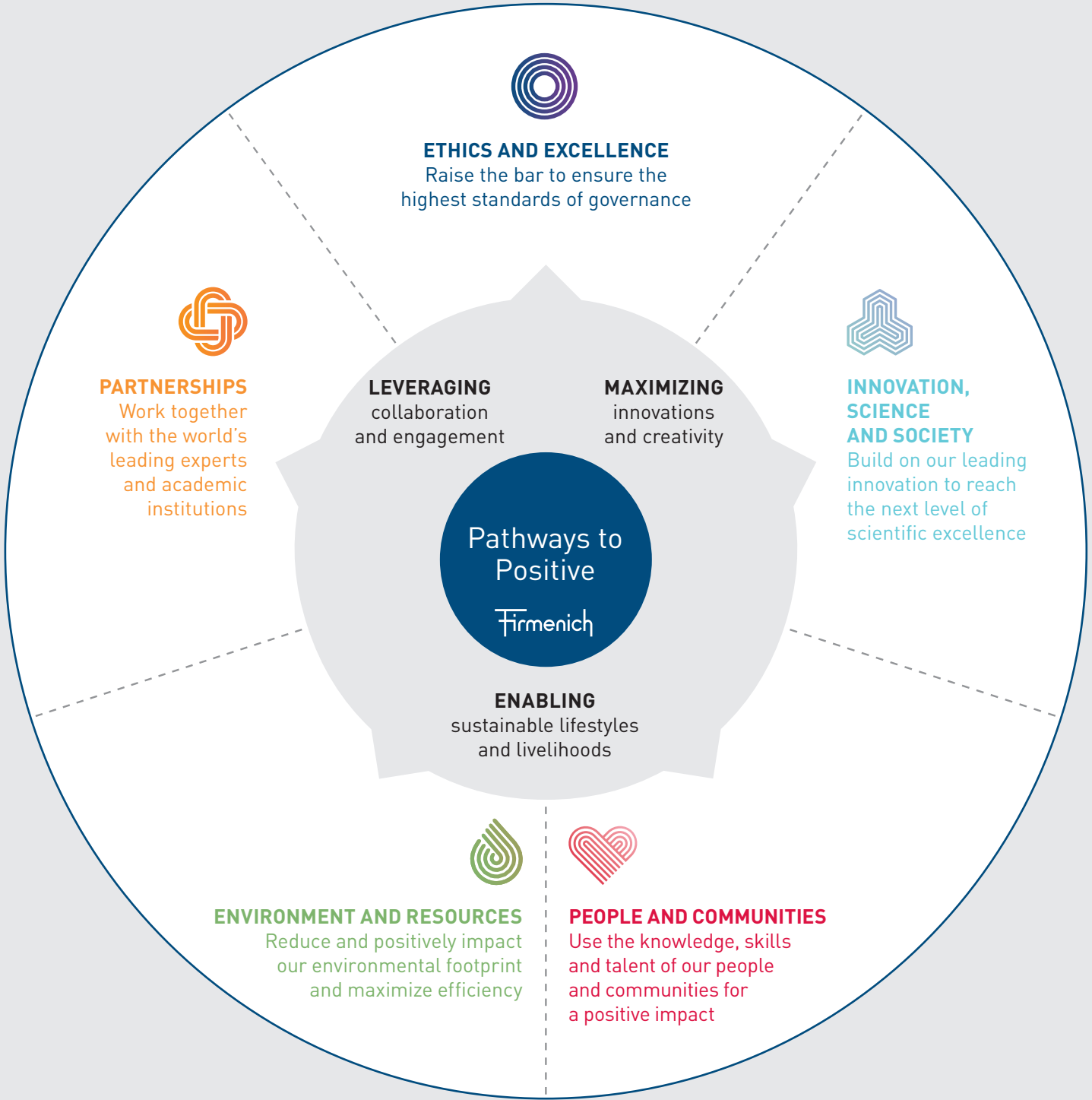
1. Collaborate with at least **10** leading academic institutions on sustainability innovation
2. Develop sustainability projects with **50** customers globally
3. Extend our innovative Consumer Insight program from India to Africa
4. Generate gold standard carbon credits through collaborative investments



FOR OUR PEOPLE AND COMMUNITIES

1. Improve our industry-leading safety performance by maintaining a TRC rate below **0.25**
2. Formalize a program to further integrate people with disabilities in our business
3. Certify all Firmenich sites for gender pay equality
4. Build **40** responsible sourcing projects with smallholder farming communities
5. Create a Firmenich Sustainability Academy to further educate **100%** of our workforce on social and environmental topics
6. Extend our apprenticeship program globally

¹ A Level 1 site is any manufacturing site regardless of the number of employees or any other site (e.g. office, labs) with greater than 50 employees. Joint ventures and tolling operations are excluded.





Our manufacturing site in Shanghai, China

Ethics and Excellence Pathways:
Raise the bar to ensure the highest
standards of governance

ETHICS AND EXCELLENCE

PATHWAYS



Firmenich embeds ethics throughout our value chain by respecting human rights and biodiversity, and ensuring outstanding quality and product safety for our customers. On our Pathways to Positive for 2020, we commit to:

- Audit and validate human rights across the Firmenich value chain
- Become the first Flavor and Fragrance House with a transparent supply chain via CDP
- Lead the industry in the Nagoya Protocol¹
- Set the standard for product quality
- Implement a best-in-class legal compliance program



Received the DuPont Safety & Sustainability Award for Operational Excellence



Became the first Flavor and Fragrance House to use CDP Supply Chain Climate Change and Water Reporting



Accepted an Excellence Award for workplace safety in Switzerland

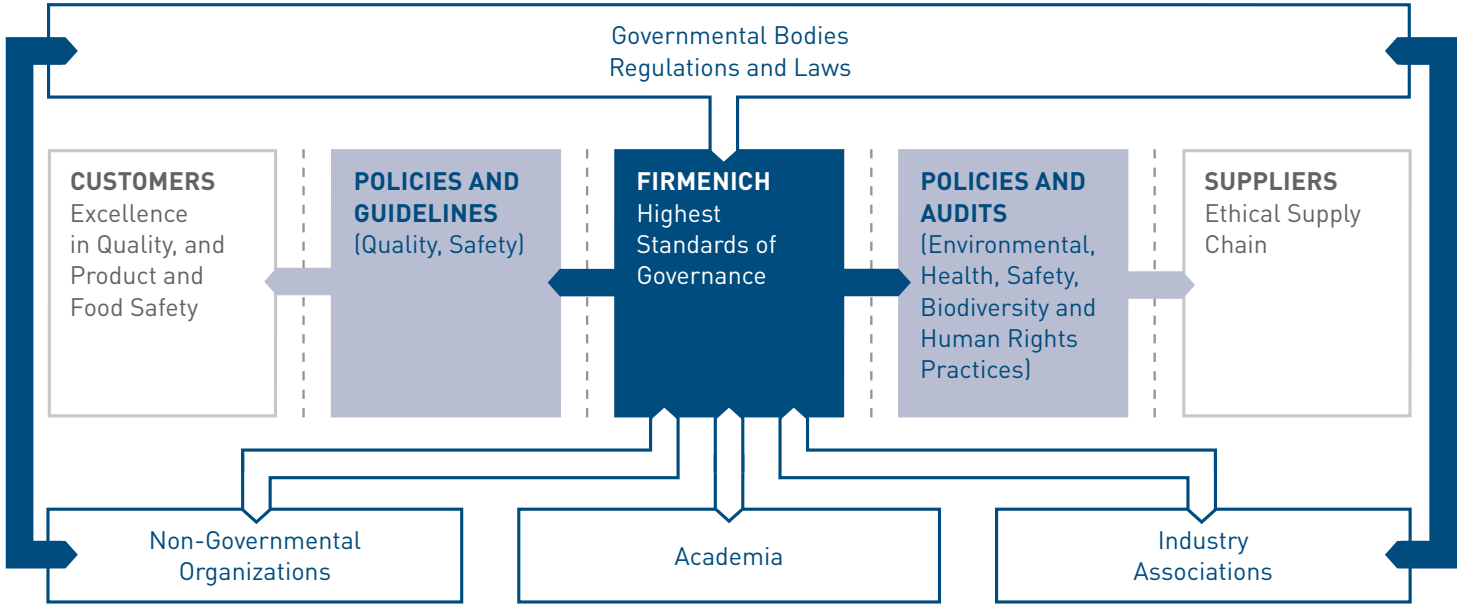


Trained 99% of our employees on our Code of Ethics and Business Conduct

¹ The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization [ABS] to the Convention on Biological Diversity is an international agreement that provides a transparent legal framework for the effective implementation of one of the three objectives of the CBD: the fair and equitable sharing of benefits arising out of the utilization of genetic resources.

ETHICS AND EXCELLENCE IN OUR VALUE CHAIN

We relentlessly pursue excellence in everything we do throughout our value chain, and collaborate with our stakeholders to set the highest standards of governance.



UN GLOBAL COMPACT

The United Nations Global Compact (UNGC) is a collaborative platform in which companies commit to align strategies and operations with 10 guiding principles on human rights, labor, environment and anti-corruption, and take action to advance societal goals.

Firmenich signed the UNGC in 2008 and has sponsored the Foundation for the Global Compact since 2011. We report on our progress on the 10 UNGC principles in our annual sustainability report.

Firmenich has chaired the board of the Global Compact Network Switzerland since 2011. In FY16, the Swiss chapter of the UNGC focused on business and human rights as a central theme for its activities. The group shared expertise and knowledge with members, ensured respect of human rights principles in each member's value chain and interacted with outside businesses and organizations to improve human rights practices locally and worldwide.

Firmenich took an active role in the 21st session of the Conference of Parties (COP21) in December 2015, in Paris. COP events review the framework for action to stabilize atmospheric concentrations of greenhouse gases (GHGs). Firmenich signed the Business Proposals for COP21 submitted during the World Climate Summit. During the COP21 meetings, political leaders signed the Paris Agreement to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C." As a private company and a member of the UNGC, Firmenich fully supports this agenda.



ETHICAL GOVERNANCE

UPDATED FUNDAMENTALS

The Firmenich Fundamentals reinforce the values that have been the basis of our company's culture over our 120-year history. The Fundamentals are supported by the Firmenich Code of Ethics and Business Conduct and the Firmenich Social Accountability Standard.

In 2015, we updated our Fundamentals to better reflect our unique legacy, creativity and our people's passion, talent and commitment. We renewed our commitment to sustainable growth and mutual success with our customers.

FIRMENICH
 SINCE 1895. BECAUSE WE CARE

CUSTOMERS



We fragrance and flavor our customers' products for our **mutual success**.

- Our customer intimacy is unique as we partner with our customers to transform their ambitions into reality.
- We anticipate consumers' desires continuously reinventing the world of taste and smell.
- We deliver value through innovative products and services, placing decisionmaking as close as possible to our customers.

PEOPLE



Our people are the heart of our Company. They are recognized for their **passion, talent and commitment**.

- We strictly maintain the highest levels of personal integrity and ethical behavior.
- We value diversity and create an environment in which each colleague is empowered and encouraged to grow, enabling us to shape our future with confidence and imagination.
- We unite the finest talents and nurture an entrepreneurial team spirit to attain our strategic goals.

CREATIVITY



Creativity is our **essence**.

- We create fragrances and flavors that inspire moments of pleasure and delight for consumers worldwide.
- We lead our industry in research and innovation, constantly driving incremental and breakthrough winning ideas and technologies.
- We apply our creativity to improve all parts of the business.

SUSTAINABILITY



Our integrity and sense of individual and collective responsibility ensure our **long-term success**.

- We practice a sustainable business model for the well-being of present and future generations.
- We engage all our partners to build a responsible, sustainable and traceable value chain.
- We strictly comply with all regulatory requirements and strive to achieve the highest international standards on quality, safety and the environment.

LEGACY



Our **independence** gives us the freedom to control our destiny.

- We are a family-owned company, committed to our independence.
- We take a long-term view of our business.
- We pursue a policy of financial strength, profitable growth and return on assets.

LEGAL COMPLIANCE

In 2015, we restructured our Compliance function, regrouping under the supervision of the General Counsel and Corporate Secretary:

- Product Safety and Regulatory Affairs (PSRA)
- Quality, Health, Safety and Environment (QHS&E)
- Integrity and Legal Compliance (ILC)
- Legal

This new organization will allow us to strengthen our compliance culture, facilitate engagement and cross-functional collaboration, and ensure our leaders proactively address compliance risks.



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Firmenich received the DuPont Safety & Sustainability Award for Operational Excellence in FY16

ETHICAL GOVERNANCE

GOVERNANCE AND COMPLIANCE

Whilst Firmenich has been established for more than 120 years, we are fresh and are entering an exciting new phase with new market and research opportunities. Being the largest family owned company in the industry distinguishes Firmenich from its competitors and allows us to stay true to our heritage and Fundamentals and maintain intimacy with our stakeholders.

At the same time, the Firmenich Board has committed that we will operate at standards equivalent to Swiss public companies. We have also committed to make a difference in terms of sustainability, the environment and quality and safety standards.

Firmenich is passionate about building and protecting trust, both within the company and with our external stakeholders. As the company grows, it is more challenging to ensure that individuals have a consistent understanding and application of our Fundamentals and our trust principles. Building on the Fundamentals, the company has implemented core elements of a legal compliance program. However, we still have opportunities to enhance our legal compliance program and further embed the legal compliance operating principles in the day-to-day lives of all Firmenich stakeholders around the world.

Our customers and their consumers are demanding more transparency in terms of what is in our products, how we develop them and what impact the products might have on them and the environment. As we work within the industry associations to respond to these challenges, it is our duty not only to provide appropriate information and data, but to make that information relevant and understandable. Recognizing these challenges and assuring our clients, and ultimately consumers, that we understand the complexity and can communicate effectively and clearly, will help maintain their trust.



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Embedding ethics and excellence throughout our value chain

The Compliance function at Firmenich has a broad scope covering Safety, Quality, the Environment, Security, Regulatory Compliance, Toxicology, Trade Compliance and Legal Compliance. Compliance is not only about establishing and following policies and procedures, but also about making what we do understandable and part of everyone's role. As Firmenich grows and evolves, we work every day to maintain and take to the next level our high ethical and operating standards.

At Firmenich, we understand that we have an obligation to help shape our industry and have a positive impact not just for our employees and shareholders, but also for our customers, consumers and for society at large.

COMPLIANCE TRAINING

Ethics and excellence are everyone's responsibility at Firmenich. In FY16, we trained all full-time Firmenich employees on the Firmenich Code of Ethics and Business Conduct and on corruption and harassment prevention to reinforce our zero-tolerance policy. We engaged employees through our online training platform on corporate guidelines and policies, with these results:

-  Firmenich Code of Ethics and Business Conduct: **99%** of employees trained
-  Global Anti-Bribery and Corruption: **87%** of employees trained
-  Global Competition Law: **80%** of employees trained
-  Workplace Behavior and Harassment Prevention: **96%** of employees in North America trained

Our intention is to achieve the goal of 100% of our employees being trained on these four programs by December 2016.

ETHICAL SUPPLY CHAIN

INTEGRATED QHS&E POLICIES, NETWORK AND AUDIT

In FY16, Firmenich launched a new Integrated Quality, Health, Safety and Environment Charter to reach excellence in QHS&E management. The charter sets out, in one document, our principles and expectations for managing QHS&E throughout the company and includes specific commitments for all employees and managers.

The charter is supported by internal QHS&E Excellence networks of experts and representatives from the regional QHS&E community. They develop and share guidance and best practices on important QHS&E matters.

We also developed an integrated QHS&E corporate auditing process using multiskilled QHS&E auditors working alongside subject matter experts. Since 2014, we have conducted 22 integrated QHS&E corporate audits.

The benefits of integrating QHS&E management systems include streamlined documentation, efficiencies in implementation and easier auditing. In FY16, an additional two sites were certified with integrated QHS&E management systems, bringing the total to 10 of our 25 manufacturing sites.

This year we trained 43 Firmenich personnel in our integrated QHS&E Incident Investigation and Root Cause Analysis tools (including 31 Lead Investigators) bringing the total number of people trained globally to 414 (and 62 Lead Investigators).

Our total combined spend on QHS&E improvements in FY16 was CHF 26.6 million, an increase of 12% from FY15.



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Reaching excellence in QHS&E management in Shanghai, China

FIRMENICH SOCIAL ACCOUNTABILITY STANDARDS

Our impact lies not only in our operations, but also in our suppliers' and customers' operations. As part of our commitment to ethical and sustainable business, we developed the Firmenich Social Accountability Standards. The Standards require compliance with national laws, International Labour Organization (ILO) conventions and recommendations, and the UN's Universal Declaration of Human Rights in critical areas including: child labor, forced labor, health and safety, freedom of association and collective bargaining, discipline, discrimination, working hours, and wages.

In addition to applying these standards internally, we expect this same level of excellence across our entire value chain. In FY15, we requested all of our suppliers and subcontractors to formally confirm their acceptance of our Supplier Code of Business

Conduct and Social Accountability Standards. Currently, 90% of our raw material spend has confirmed their compliance with these requirements. The initiative complements the regular audits we conduct at our suppliers' facilities. If a supplier violates these principles, we work with them to meet our standards.

GLOBAL SUPPLIER AUDIT PROGRAM

In FY16, we audited 86 raw material, packaging and toll-manufacturing suppliers around the globe using a new, standardized approach. In the future, an independent third party will audit lower-risk suppliers, and Firmenich specialists and experts will focus on higher-risk suppliers.

ETHICAL SUPPLY CHAIN

HUMAN RIGHTS IN THE SUPPLY CHAIN

Increasingly, global companies are required to demonstrate adequate due diligence on human rights risks in their supply chains. At the same time, governments and non-governmental organizations (NGOs) are asking for more transparency. In Switzerland, the Responsible Business Initiative was launched in 2015 as a public petition to pass a law that would ensure Swiss companies integrate protection of human rights and the environment into their business practices.

To strengthen our approach to human rights and align our policies and practices with the UN Guiding Principles on Business and Human Rights, Firmenich collaborated with Shift, an international non-profit organization that has worked extensively on human rights risks in the supply chain.

In February 2016, we organized a workshop in Geneva, Switzerland, with Shift's support and guidance, to build our internal capacity on business and human rights, introduce tools to identify and prioritize potential leading human rights risks, and apply these tools to Firmenich's business. Twenty Firmenich employees from all business units and support functions attended the session. We will continue working on this important subject with our main stakeholders in FY17 to identify and address primary human rights risks in our value chain.

TRANSPARENCY IN THE SUPPLY CHAIN

Firmenich has been a member of the Supplier Ethical Data Exchange (Sedex) for eight years. Sedex is a non-profit membership organization dedicated to improving responsible and ethical business practices in global supply chains. Using the Sedex platform, we share audit results and self-assessment questionnaires from our 25 manufacturing sites with our customers. In FY15, we increased our Sedex membership level to include more suppliers and share supply chain information with customers. We now have data on more than 450 suppliers around the globe on the Sedex platform. Additionally, we use Sedex Risk Assessment Tools to drive continuous improvement at our manufacturing sites and proactively address potential issues with suppliers.



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Firmenich trained cross-functional teams in Research and Innovation, Legal, Product Safety and Regulatory Affairs, Perfumery, and Sustainability on the Nagoya Protocol

In FY16, we continued working with EcoVadis, a collaborative platform that enables companies with global supply chains to measure and report sustainability performance across 150 sectors and 99 countries. EcoVadis assessed Firmenich's sustainability initiatives on 21 corporate social responsibility (CSR) criteria, regrouped under four themes: environment, labor, fair business, and sustainable procurement practices. They analyzed our policies, initiatives and results following international CSR standards including the Global Reporting Initiative (GRI), UNGC and ISO 26000. We received particular recognition for our achievements in environmental protection. For the fourth time, EcoVadis awarded Firmenich a "gold" rating, placing us among the top 2% of all suppliers assessed on sustainability performance.

NAGOYA PROTOCOL

The Nagoya Protocol, in place since 2014 in most countries, mandates that public and private organizations using genetic resources for research and development (R&D) comply with a new international regulatory framework: the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS). These guidelines apply to all R&D activities that aim to identify new bioactive compounds and natural ingredients for food, fragrance, cosmetic and medical use.

In practice, a company seeking to access genetic resources in a country has to go through an administrative process to obtain specific contracts to ensure compliance and follow national rules. Each country may apply ABS differently.

Firmenich trained cross-functional teams in Research and Innovation, Legal, Product Safety and Regulatory Affairs, Perfumery, and Sustainability on the Nagoya Protocol. In 2014, we created a working group to ensure we abide by the Nagoya Protocol wherever we source natural raw materials for our flavors and fragrances. We are now building a company-wide strategy to confirm adherence to these new regulations.

In 2016, we were invited to present our strategy on the Nagoya Protocol at an industry meeting in Europe.

EXCELLENCE IN QUALITY



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In FY16, Firmenich delivered 99.8% of customer sales orders defect-free

PURSuing PREMIUM PRODUCT QUALITY

In FY16, Firmenich continued our efforts to achieve best-in-class product quality performance. We improved product quality around the world by strengthening our quality control and analytical capabilities from sourcing to final product, working closely with our flavor, perfumery and ingredient-manufacturing partners and focusing on defect prevention. We achieved a Customer Quality Index (CQI) of less than 1.4 product defects per 1,000 sales order lines (an improvement of 21% since FY13) and delivered 99.8% of customer sales orders defect-free. Our performance proves our commitment to make considerable quality capital investments (CHF 6.59 million), leverage our expertise and expand strategic resources around the world. Highlights include:

- Development of a new operating blueprint for LEAN quality control
- Expansion of corporate quality and regulatory analytical testing laboratory capabilities
- Additional advanced analytical capabilities
- Upgraded manufacturing facilities in areas of food safety, sanitation and product safety

Looking forward, we have set an objective to further improve and achieve a sustainable quality performance of no greater than one product defect per 1,000 sales order lines shipped (99.9% defect-free) by 2020.

QUALITY ASSURANCE NETWORK

In addition to more than 200 Quality Control colleagues, Firmenich has more than 60 experienced leaders working on quality assurance (QA) activities at 30 sites around the world. In FY16, we established a Quality Assurance Network of representatives from all manufacturing zones. Representatives meet several times a year to develop QA competencies, ensure consistency and alignment and share best practices. They develop rapid communication protocols and improve collaboration between our QA experts on quality and integrated management systems, ISO certification, internal and external audit tools, customer questionnaires and incident investigation.

BEST-IN-CLASS GLOBAL SECURITY AND PRODUCT PROTECTION

Firmenich created a best-in-class security model to support and protect our colleagues, products and operations worldwide. The model includes the new position of Chief Security Officer who focuses on the physical security of our sites, travel security and product security throughout the supply chain. We are working to develop global security standards for security management guidance, self-assessments, third-party compliance audits and score carding of compliance performance.

CASE STUDY: FOCUS ON FOOD SAFETY

In FY16, there were no product recalls involving products supplied by Firmenich. To continue this successful trend in a complex food market marred by crisis and product recalls, we created our 2020 Food Protection Strategy focused on food safety, food defense and food fraud. We also created a Food Protection Network of more than 30 food safety experts and professionals and participated in several global food safety meetings including the Global Food Safety Initiative event.

Other achievements in this area include:



- Received **three** customer awards in the past two years




- Received a food hygiene excellence award from Japanese health authorities



- Reviewed more than **2,000** product specifications (since 2015) for sustainable consumer food protection



- Achieved Food Safety System Certification (FSSC) 22000 in **20** manufacturing plants



Firmenich set ambitious 2020 goals
for water use rate, focused on our more
water-stressed areas

**Environment and
Resources Pathways:**
Reduce and positively impact
our environmental footprint
and maximize efficiency

ENVIRONMENT AND RESOURCES



PATHWAYS

Firmenich's deep commitment to lead our industry in sustainability is reflected in our efforts to reduce greenhouse gases and manage our global water use efficiently. We have set ambitious goals on our Pathways to Positive for 2020:

- Reduce absolute Scope 1 and 2 CO₂ emissions by 20%
- Reduce the rate of water use in stressed areas by 25%
- Reduce waste¹ generation rate by 15%
- Ensure 100% of our manufacturing sites can claim zero waste-to-landfill
- Eliminate R22 from our global manufacturing refrigerant inventory
- Obtain 100% of electricity for Level 1 sites from renewable sources or offset



Scored a perfect 100A in the CDP Supplier Climate A List



Ranked in the top 2% of all member organizations for sustainability performance by EcoVadis



Reached zero waste-to-landfill at 40% of our manufacturing sites

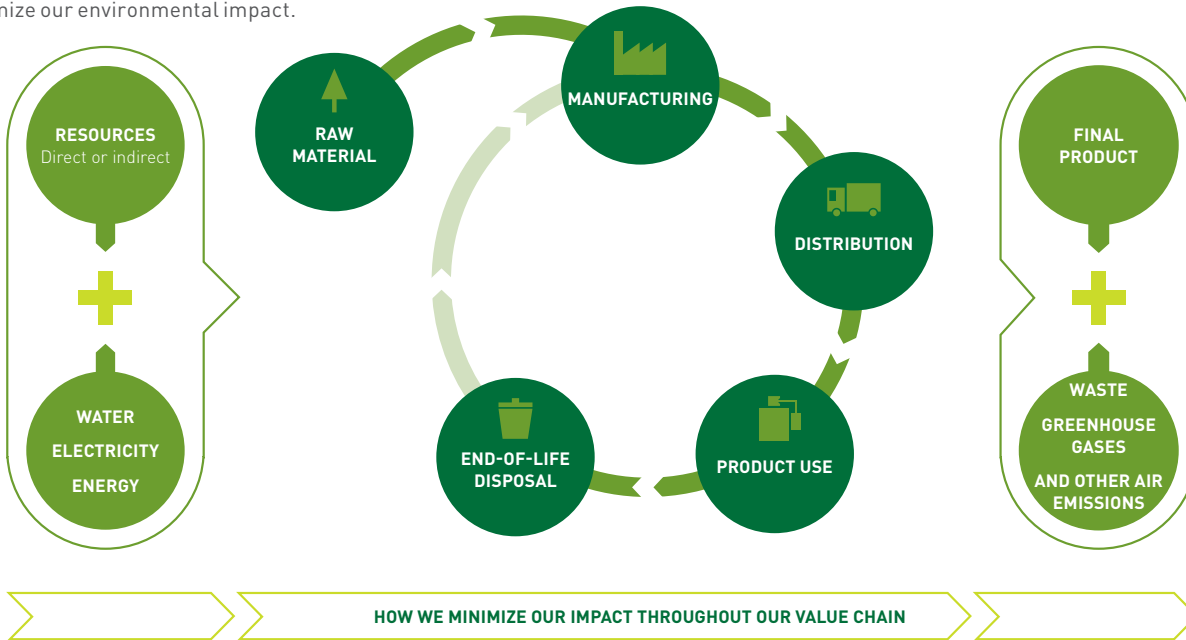


61% of electricity from renewable sources or offset

¹ Waste raw materials and finished products.

OUR ENVIRONMENTAL FOOTPRINT COMPONENTS

As a business-to-business company, our environmental footprint not only matters to us, but also to our customers. We work with all stakeholders, from sourcing to disposal, to minimize our environmental impact.



ENVIRONMENTAL PERFORMANCE

In FY16, Firmenich joined the Science Based Targets (SBT) initiative, a CDP, UNGC, World Resources Institute (WRI) and World Wildlife Fund (WWF) project. The initiative encourages companies to set ambitious, science-based greenhouse gas reduction targets in line with the global effort to keep warming well below 2°C compared to pre-industrial temperatures. Our commitment to climate action includes setting ambitious goals for total carbon dioxide (CO₂) emissions, renewable energy generation, R22 elimination and sourcing renewable electricity (see previous page). We also set ambitious goals for water, waste generation and landfill to address other critical environmental issues.

During FY16, we invested CHF 6.91 million in a broad variety of projects aimed at improving our environmental performance. Some of these initiatives focused on improving: spill and fire water retention, water conservation, wastewater treatment, renewable energy, energy efficiency, emissions reduction, and waste management projects. Several programs are further described later in this section.

CARBON AND ENERGY

Our goal is to reduce absolute Scope 1 and Scope 2 CO₂ emissions by 20% by 2020, compared to our FY15 baseline. Additionally, we aim to source 100% of our electricity, for our Level 1 sites, from renewable sources or through purchased offsets of renewable energy generated elsewhere in the electricity grids.

OUR PERFORMANCE

In FY16, Firmenich's Scope 1 and Scope 2 CO₂ emissions have reduced by 4.9%, compared to FY15 (144,410 tonnes to 137,355 tonnes) and by 14.7% compared with FY11 (160,888 tonnes).

Our strategy for reducing CO₂ emissions is partly based on increasing the amounts of renewable energy purchased. In FY16, we purchased 36,000 megawatt hours of RECs in the U.S.

This year, we also approved the budget for our largest renewable energy project to date – the purchase of a renewable briquette boiler for process steam production in Dahej, India. By burning agricultural waste (a renewable energy source), the boiler is anticipated to reduce our Scope 1 CO₂ emissions by 2,800 tonnes annually (2% of all of our Scope 1 and Scope 2 CO₂ emissions). Installation will begin in FY17.

To help meet our emission reduction goals, we continued to invest in renewable energy and efficiency projects in FY16. We completed eight energy efficient lighting (LED) projects; two heating, ventilation and air conditioning (HVAC) ventilation upgrades; three photovoltaic and solar water heating projects and three process efficiency initiatives.

ATMOSPHERIC EMISSIONS

In 2016, Firmenich set a new target to eliminate R22 (HCFC-22) refrigerants by 2020. This exceeds the requirements of the R22 phase-out planned under the Montreal Protocol.

Atmospheric releases from refrigerant gases, along with other ozone-depleting substances, continue to deplete upper atmosphere ozone. R22 use is being phased out globally due to the compound's ozone depletion potential and high global warming potential.

We have implemented initiatives to reduce R22 use by 2020, including using less damaging refrigerant in equipment upgrades and new installations. Currently 32% of our Level 1 manufacturing sites have reported that they are R22-free. Since this is the first year we are taking a detailed inventory of our R22 use, comparisons with previous years are not available.

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In FY16, 61% of our electricity came from renewable sources or offset

CDP

Firmenich has participated in the CDP Supply Chain Climate Change reporting program for seven years. In FY16, we achieved a perfect score of 100A in the CDP Supplier Climate A List. For the second consecutive year, CDP nominated us as a Global Leader for Corporate Action in mitigating climate change as a result of our leading environmental management and transparent information disclosure. This year, CDP named Firmenich the Best Supply Chain Responder in Switzerland out of 20 Swiss companies.

CDP ranked our company among the top 2% of suppliers assessed for excellence in greenhouse gas management. This honor reinforces our leadership position and drives us to raise the bar in environmental management.

CASE STUDY: LOWERING SCOPE 3 EMISSIONS

The Firmenich flavor facility in Norway processes raw seafood materials to create seafood extracts and flavors. In 2015, in partnership with our supplier, we replaced the original diesel-powered processing and drying facilities with new hydroelectric-powered equipment. This saved 450 tonnes of diesel corresponding to the emission of approximately 1,442 tonnes of CO₂ a year.

SCOPE 3 EMISSIONS

Our Scope 3 emissions have been calculated for selected sources (see table below). Firmenich is considering how to achieve further Scope 3 emissions reduction in future years.

Scope 3 CO ₂ e Emissions	FY15	FY16
All purchased raw materials used in products manufactured by Firmenich ¹	452,606	469,782
Downstream transportation and distribution ²	37,093 ⁶	50,395
Waste generated in operations ³	11,879 ⁷	12,572
Business travel ⁴	9,331	10,814
Employee commuting ⁵	28,507	28,483
Total	539,416	572,046

- 1 CO₂e is based on CO₂, N₂O and CH₄ emissions data
- 2 Based on purchase data for transportation
- 3 89% of total waste mass accounted for
- 4 Based on business air travel only. Coverage has increased from 88% in FY15 to 90% in FY16
- 5 Based on the number of employees and on average travel distance
- 6 Downstream transportation and distribution data for FY15 was recalculated from 30,072 to 37,093
- 7 Waste generated in operations data for FY15 was recalculated from 11,896 to 11,879

CASE STUDY: REMOVING R22 REFRIGERANT IN EUROPE

Our production sites and laboratories in Belgium (Louvain-la-Neuve) and France (Paris, Castets and Grasse) currently operate a range of chiller, refrigeration, freezer, and air conditioning units.

Over the past few years, management teams have been proactively eliminating R22, in advance of the European Union phase-out mandate. Our Paris and Castets facilities are now R22-free and our sites in Belgium and Grasse will be free of R22 by the end of calendar year 2016.

WATER



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In FY16, Firmenich scored in the top 2% of the Supply Chain Water reporting companies

In FY16, we participated in the CDP Supply Chain Water Program and were awarded a score of Management B, the highest score awarded to any company in 2015.

This score reflects our actions that contribute to corporate water stewardship and puts us in the top 2% of the Supply Chain Water reporting companies.

During this period, there was no change in our overall water consumption rate compared to FY15 (23 cubic meters per tonne of product).

We strive for excellence in water management across our business. To this end, we set an objective to decrease water use by 25% in water-stressed areas by 2020. Six of our manufacturing sites are in areas where water stress is higher (although they still rank as moderately stressed on a global scale) and an additional four sites are in less water-stressed areas (but of potential concern). We are currently collecting and analyzing water usage data and implementing our initial water reduction projects. Priority for action will be given to our more water-stressed sites. We anticipate the first water savings in FY17.

MANUFACTURING SITES LOCATED IN WATER-STRESSED AREAS

Manufacturing sites located in potentially more water-stressed areas	Manufacturing sites on a water watch list. As the water risk assessment is conducted annually and local water supply can fluctuate, these sites could become water-stressed
<ul style="list-style-type: none"> Anaheim, California, U.S. 	<ul style="list-style-type: none"> Mumbai, India
<ul style="list-style-type: none"> Newark, New Jersey, U.S. 	<ul style="list-style-type: none"> Toluca, Mexico
<ul style="list-style-type: none"> Shanghai, China 	<ul style="list-style-type: none"> Kunming, China
<ul style="list-style-type: none"> Dahej, India 	<ul style="list-style-type: none"> São Paulo, Brazil
<ul style="list-style-type: none"> Cileungsi, Indonesia 	
<ul style="list-style-type: none"> Karawang, Indonesia 	

CASE STUDY: REDUCING WATER CONSUMPTION IN SHANGHAI, CHINA

Reducing our water footprint in Shanghai is a challenge, as we are increasing our manufacturing capabilities in line with business growth. We are installing an additional water metering system and have enlisted a multidisciplinary team to develop a comprehensive water footprint model that can be applied to the new site. Opportunities to reduce water use will likely include reusing water from the reverse osmosis system and improving management at our wastewater treatment plant and cooling towers. We will update our progress in FY17.

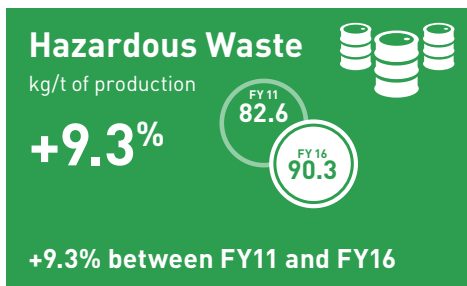
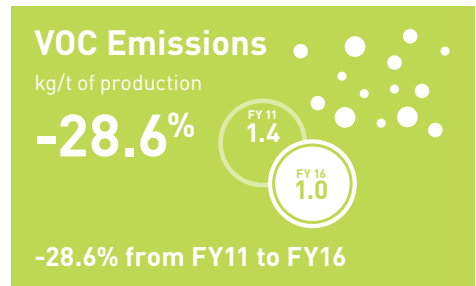
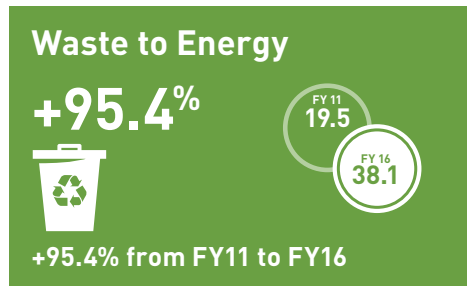
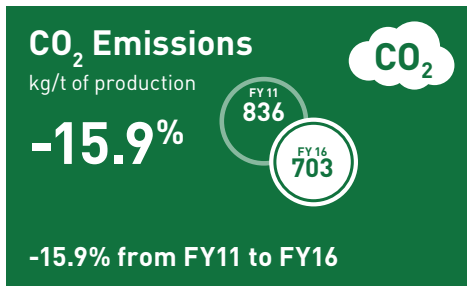
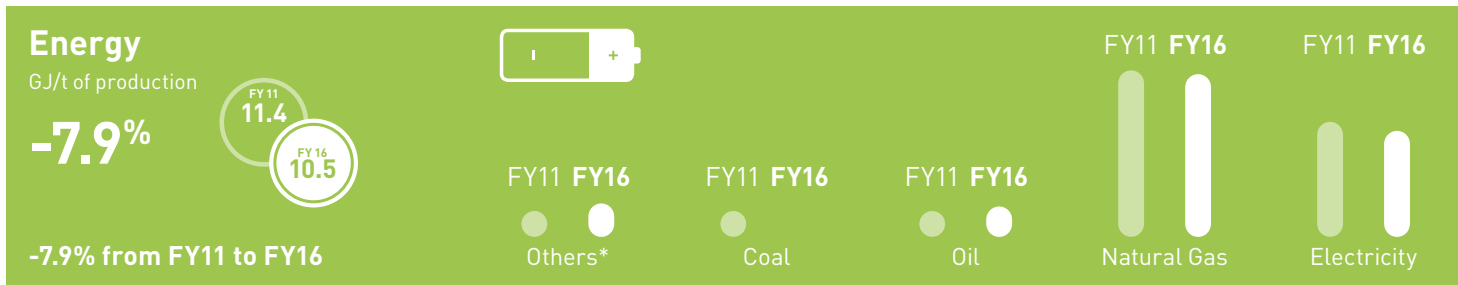
CASE STUDY: DECREASING WATER CONSUMPTION IN INDONESIA

Our manufacturing site in Cileungsi, Indonesia is located in a water-stressed area. Historically all of the water (for production, domestic and garden irrigation) came from a deep water well. To reduce abstraction, the site has implemented a project to reduce water use and recycle water from the wastewater treatment plant, to use for garden irrigation. The project, initiated in FY13, is ongoing and in FY16 water consumption (per tonne of product) was almost 50% lower than at the project's inception.

ROADMAP OF OUR 2020 ENVIRONMENTAL TARGETS

2020 Target	2016 Performance	On Track	Comment
Reduce absolute Scope 1 and 2 CO ₂ emissions by 20%	4.9% reduction against FY15 baseline	Yes	
Reduce the rate of water use in stressed areas by 25%	6.8m ³ /tonne produced	Yes	In the first year of the metric, sites have been planning and preparing projects to reduce water consumption
Reduce waste generation rate by 15%	No change from previous year	No	We are refocusing our attention on raw material and production waste generation where we are likely to achieve the greatest efficiencies and achieve most impact
Ensure 100% of our manufacturing sites can claim zero waste-to-landfill	40% of sites have reported they are landfill-free compared with 28% in FY15	Yes	For future reporting we are considering how individual site claims can be verified
Eliminate R22 from our global manufacturing refrigerant inventory	32% of our Level 1 manufacturing sites are R22-free ¹	Yes	
Obtain 100% electricity for Level 1 sites from renewable sources or offsets ¹	61% obtained from renewable sources or offsets, an increase from 42% in FY15	Yes	

¹ A Level 1 site is any manufacturing site regardless of the number of employees or any other site (e.g. office, labs) with greater than 50 employees. Joint ventures and tolling operations are excluded.



*Purchased Steam, LPG, Renewable Generated Onsite, Incinerating Waste, Indirect Heat Purchased

WASTE

A priority at Firmenich is to continually reduce waste and embrace circular models. We strive to send zero waste to landfill at 100% of our manufacturing sites and reduce waste generation by 15%.

This year, our waste generation rate remained stable against our FY15 baseline. In FY16, 40% (10 of 25) of our manufacturing sites reported that they sent zero waste to landfill. This compares well with FY15 (28% of sites).

Our Princeton and Newark, New Jersey, sites in the U.S. are having their zero waste-to-landfill claims verified under the Green Circle scheme, which involves a detailed audit of waste disposal routes.

CASE STUDY: WEALTH FROM WASTE

In 2015, employees at our manufacturing site in Dahej, India, found they were losing ingredients within a distillation waste stream. Due to the waste's thick nature, additional solvent was needed to increase fluidity of the resulting liquid. To decrease waste and solvent usage, the site:

- Revised the distillation process to recover ingredients from the waste residue
- Used waste solvent otherwise burned to make the residue more liquid

These two measures led to a one-off saving of CHF 440,000 and sustainable savings of CHF 315,000 per year, which are expected to increase year after year.

CASE STUDY: HAZARDOUS WASTE REDUCTION IN CHINA

Firmenich China reduced hazardous waste from their perfumery spray drying operation by optimizing the clean-in-place (CIP) process. The first CIP rinse has a high organic concentration and is now stored in liquid storage tanks for extraction and reuse in future batches. The project could cut total site hazardous waste generation by 50% and significantly reduce the raw materials used.

IMPROVING SUPPLIER ENVIRONMENTAL PERFORMANCE



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Anne Yu-Jia Zhai, Consumer Marketing Insights Analyst

CDP SUPPLY CHAIN PROGRAM

In FY16, we became the first Fragrance and Flavor House to join CDP's Supply Chain Program. Through this initiative, launched at our suppliers summit, we are mobilizing suppliers to disclose their climate and water performance through CDP. This initiative replaces our environmental scorecard program.

Dexter Galvin, Head of CDP Supply Chain commented: "Firmenich is an established A List responder to CDP's Supply Chain Program. Today marks another step in their climate leadership, as they drive climate and water action down their own supply chain. This work will help them – as well as their suppliers and customers – build resilience, manage risk and ensure their future prosperity."

THE FIRMENICH INGREDIENTS INDEX

As a supplier to the largest consumer goods companies and leading luxury brands, Firmenich's environmental footprint matters to our clients. The main environmental impacts of many products occur during raw materials production and product use. We have responded to our clients' demand for transparency by developing the Firmenich Ingredient Index, which analyzes the impacts of more than 400 key ingredients throughout their life cycles.

The Index was designed to help Firmenich make key sustainability decisions on raw material sourcing, manufacturing process improvements and product development by measuring and reporting the environmental and health impacts associated with all life-cycle stages of our key ingredients. It leverages primary data from suppliers to increase supply chain transparency and collaboration. The Firmenich Ingredient Index is at the forefront of the flavor and fragrance industry and our ambition is for it to become an industry standard.

In FY16, we shared the Index with many of our clients via a short video explaining its purpose to increase transparency on the impact of our ingredients. The Firmenich Ingredients Index was also the subject of a sustainability case study by Prof. Paolo Taticchi from Imperial College London, England.

GLOBAL ENVIRONMENTAL PROJECTS

YEAR KEY ● 2016 ● 2015 OR EARLIER

Manufacturing Sites	Energy	Emissions	Waste	Water
Castets, France	■	☁	♻	💧
Ålesund, Norway	■		♻	💧
Geneva (Meyrin), Switzerland	■	☁	♻	💧
Geneva (La Plaine), Switzerland	■		♻	
North Yorkshire, UK	■		♻	💧
Louvain-la-Neuve, Belgium	■	☁	♻	💧
Grasse, France	■	☁	♻	
Anaheim, California, U.S.	■		♻	💧
Newark, New Jersey, U.S.	■	☁	♻	💧
Lakeland, Florida, U.S.	■		♻	💧
Princeton, New Jersey, U.S.	■		♻	💧
New Ulm, Minnesota, U.S.	■	☁	♻	💧
St. Louis, Missouri, U.S.	■		♻	💧
São Paulo, Brazil	■		♻	💧
Bogotá, Colombia	■	☁	♻	💧
Buenos Aires, Argentina	■		♻	💧
Toluca, Mexico	■		♻	💧
Shanghai, China	■	☁	♻	💧
Dahej, India	■	☁	♻	💧
Daman, India	■		♻	
Cileungsi, Indonesia	■		♻	💧
Kunming, China	■	☁	♻	💧
Ibaraki, Japan	■		♻	
Singapore	■		♻	💧
Karawang, Indonesia	■		♻	💧



Every year, Firmenich invests
10% of revenues in Research
and Innovation

Innovation, Science and Society Pathways:
Build on our leading innovation to reach
the next level of scientific excellence

INNOVATION, SCIENCE AND SOCIETY



PATHWAYS

Firmenich is recognized for our industry-leading commitment to research and 10% investment of turnover annually in breakthrough science. Our global research team runs three centers of excellence in Switzerland, the U.S. and China. Our team collaborates closely with a network of open-innovation partners including leading academic institutions and innovative startups. On our Pathways to Positive for 2020, Firmenich commits to:

- Improve quality of life through nutrition, hygiene and sanitation
- Develop sustainable and cost-effective flavor and fragrance ingredients and technologies
- Deliver malodor control systems for home care consumer products
- Strive for industry leadership in environmental risk assessment of our ingredients and technologies
- Accelerate go-to-market, through co-innovation partnerships



Received first prize for innovation at the 2015 SEPAWA award ceremony in Fulda, Germany



Completed 75% of our malodor project with the Bill & Melinda Gates Foundation



Published 29 patent applications



Hosted 100 scientists at a conference on marine peptides in Norway

LEADING IN R&D: PRODUCT BIODEGRADABILITY

Firmenich's biodegradation research is changing the way we design new ingredients for the future. All new Firmenich fragrance ingredients are tested for biodegradation. Beyond regulatory requirements, we proactively subject all compounds with the potential to go to market to the same tests. We are committed to creating only biodegradable ingredients as part of our Green Gate strategy.

Biodegradation is the process by which living organisms break down carbon-based substances to inorganic end products like water or carbon dioxide and biomass. It can occur in the presence (aerobic biodegradation) or absence (anaerobic biodegradation) of oxygen and can take days, weeks, years or centuries.

To test biodegradability, Firmenich uses established guidelines, such as Organization for Economic Cooperation and Development (OECD) 301 and 302 tests, for each new ingredient. When ingredients successfully break down to inorganic end products, they can be described as "readily", "inherently" or "ultimately biodegradable", depending on how long the process takes.

Many of our ingredient structures are inspired by natural compounds. While these can contain very complex structural features, their biodegradability often fares better than compounds from other industries that might exhibit similar complexity, but lack natural counterparts for design.

Information on the biodegradation of chemical products is a fundamental component of environmental regulations worldwide. Firmenich recognized early on that building substantial in-house expertise on biodegradation was important. We assembled a team of highly recognized scientists in R&D and Corporate Compliance who fully embrace our path to biodegradable ingredients. Firmenich's biodegradation laboratories are integrated in the R&D Division, allowing direct scientific support in state-of-the-art environmental microbiology and biochemistry, as well as access to analytical innovation and organic synthesis labs.

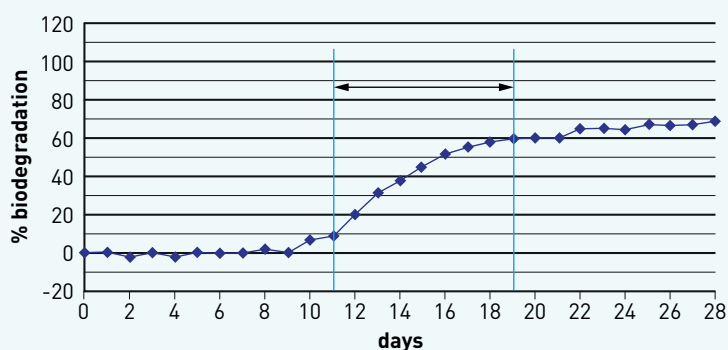
In FY16, we finalized what we believe to be the largest biodegradation test database for fragrances, enabling development of comprehensive models to assist in the design of future biodegradable ingredients. Our scientists work to improve in-silico models for biodegradability prediction. By challenging existing tools and methods and proposing modifications, our scientists have gained recognition and published their findings in research papers. Since 2013, we have published more than six articles in five peer-reviewed scientific journals on this topic alone.



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In 2010, Firmenich committed to develop biodegradable ingredients and introduced our Green Gate concept to ensure that new ingredients are biodegradable

CASE STUDY: JOSENOL™



A great example of the work between our synthetic organic chemists and the Green Gate is the story of JOSENOL™, a recently launched, cost-effective floral note. JOSENOL™ is one of the novel ingredients used by our perfumers. The graph above demonstrates its rapid biodegradation in just days, in one of our in-house tests following OECD guidelines. Such result of over 70% is rare because the test does not measure the amount of ingredient used by

the microorganisms to grow and create biomass. The slope between the blue bars indicates that JOSENOL™ may well qualify to be classified at the highest standard: "readily biodegradable". With its excellent e-factor¹ of less than 2.1, this ingredient has a bright, sustainable future and we are committed to developing more and more ingredients with similar high biodegradability and low e-factor in our palette.

¹ E-factor can be defined as the ratio of the mass of waste per mass of product.

SCIENCE, SOCIETY AND INNOVATION

Our sustainability strategy focuses on developing ecodesign products, and fostering sustainable lifestyles through cutting-edge innovation.

ECODESIGN

THE FIRMENICH INGREDIENTS INDEX

The Firmenich Ingredient Index which provides us environmental information on 93% of a typical perfumery compound in volume, helps our perfumery team better understand ingredients impact, throughout their life cycle.

A unique collaboration between our QHS&E, Purchasing, Manufacturing, and R&D teams allowed us to build this tool largely with primary data, and track improvements over time (solely relying on databases would prevent us from tracking improvements in our processes and our suppliers' processes).

In FY17, we will start further implementing the Firmenich Ingredients Index in our creation process.

INNOVATIVE PERFUMES: WATER-BASED FRAGRANCE

Firmenich's R&D teams and Perfumery teams have developed and patented innovative alcohol-free fragranced microemulsions, where the fragrance is solubilized in molecular aggregates that are formed spontaneously by physical interactions. Formulated without ethanol, these microemulsions may also provide secondary cosmetic benefits with the addition of bioactives and cosmeceuticals.

The fragrance is solubilized by using naturally derived ingredients such as amino-acid and sugar-based surfactants, emollients, skin enhancers and biodegradable, non-volatile solvents. Cooling agents, used to mimic the refreshing effect of the removed ethanol, also help reduce the need for solubilizer.

Water-based fragrance technologies are environmentally friendly and are free of volatile organic compounds. They contain functional ingredients originating from renewable carbon sources, rely on low-energy consuming technology, and are stabilized naturally by achieving physical equilibrium on a molecular level.

These latest alcohol-free fragrance microemulsions, that can provide long-lasting fragrance performance on skin, moisturizing effect, and a natural watery refreshing feeling, are due for market launch before the end of 2016.

SUSTAINABLE LIFESTYLES

Companies play an important part in enabling sustainable lifestyles and ensuring the planet will be able to sustain nine billion people in 2050, three billion of whom will be new middle-class consumers.

ECOLOGICAL FOOTPRINT AND HUMAN DEVELOPMENT

In addition to reducing their products' environmental impact and improving social equity within their supply chains, companies must explore more transformative innovations if we are to reach sustainable levels of global consumption.

Since 2014, Firmenich has been an active member of the World Business Council on Sustainable Development (WBCSD), a CEO-led organization that provides a platform for companies to collaborate and innovate on sustainable growth. In FY16, Firmenich was elected to co-chair the organization's Sustainable Lifestyles Cluster. This area fosters innovative solutions to safeguard our planet by working with companies on innovation, systems, products, behaviors and infrastructure to enable aspirational, environmentally and socially responsible lifestyles.

In FY16, the Sustainable Lifestyles program focused on:

- Revealing insights on the most important impacts and activities to address
- Innovating and collaborating on new products, services and business models
- Inspiring, enabling and motivating individuals to move toward more sustainable lifestyles

Firmenich teams were involved in workshops in India, Brazil and the U.S. that focused on how innovative flavor and fragrance solutions can enable sustainable lifestyles. Firmenich also joined a working group with other leading companies and academic institutions to drive groundbreaking changes in dwellings' environmental footprint. Another example of how Firmenich helps drive more sustainable lifestyles is illustrated by our work on sanitation and malodor counteractants.



© Anael Dang

Our heritage of scientific discovery has inspired a culture of innovation at Firmenich

SCIENCE, SOCIETY AND INNOVATION IN PERFUMERY



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To create these long-term, market-based, self-sustained solutions and bring them wherever needs exist, Firmenich is developing with its partners a solid business case, a performing technical solution and strong cross-industry collaborations.

“Firmenich sent their scientists to study toilets in the developing world, and they have created a breakthrough set of ingredients that make it possible to eliminate foul odors associated with toilets.

Their willingness to help fund the project with us and take risks has been very valuable. They are on a path to deliver an innovative product that also helps improve the world. It’s an amazing partnership.”

Bill Gates, Co-Chair Bill & Melinda Gates Foundation

From left to right: Mr. Patrick Firmenich (Vice Chairman of the Board), Dr. Maria Ines Velazco (Senior Vice President Research & Development), Mr. Bill Gates (Co-Chair Bill & Melinda Gates Foundation), Prof. Geneviève Berger (Chief Research Officer), Mr. Gilbert Ghostine (CEO)

SANITATION AND MALODOR CONTROL

BREAKTHROUGH SCIENCE TO IMPROVE HYGIENE AND HEALTH IN DEVELOPING COUNTRIES

Bill Gates and his team from the Bill & Melinda Gates Foundation came to Geneva to visit our Corporate Headquarters, Research Center and Perfumery manufacturing plant, in the context of our ongoing partnership. Over the past four years, we have been working together to Reinvent the Toilet Experience for increased hygiene and sanitation at the Base of the Pyramid.

This partnership has served as a catalyst for Firmenich to take our leading malodor control science to its next level, in particular propelled by our deep understanding of olfactory receptors.

Sanitation remains a neglected issue with financial investments representing only one-fifth of all water, sanitation and hygiene sector expenditures. Lack of sanitation impacts the lives of more than 2.5 billion people daily. Diarrhea diseases are the second-leading cause of child deaths, and one in three women risk shame, disease, harassment and even attack because they lack access to adequate sanitation.

Offending malodors associated with toilets and latrines are key obstacles to solving sanitation issues in the developing world. The Bill & Melinda

Gates Foundation stresses the need for innovative tools and technologies to solve this problem and improve public health and quality of life. In partnership with the Foundation, Firmenich built a unique multidisciplinary approach to discover, develop and commercialize a new generation of toilet malodor-suppressing technologies to improve sanitation and make reinvented toilets more desirable. The discovery program uses cutting-edge receptor biology to understand in-depth odor perception and deliver solutions that block malodors. The absence of malodor then makes the process of using toilets more pleasurable and more frequent, which in turns promotes improved health and hygiene.

Engaging with our clients, partners and local governments is necessary to develop and deliver affordable solutions that reach needy populations. We are exploring innovative models for local business opportunities that drive toilet usage and promote hygienic behaviors. To make these projects sustainable, we must build solid business cases at the project level and make them attractive for both local startups and multinational companies. Focusing solely on social returns on investment will bring temporary solutions, but focusing on innovation will make them sustainable.

Firmenich is not only developing long-lasting fragrances, we are identifying the right long-lasting initiatives that will make positive contributions. Creating new market opportunities will attract more partners to tackle sanitation issues everywhere in the world.

SHARING EXPERTISE ON ACCESS TO CLEAN WATER AND SANITATION

In May 2016, Firmenich hosted the Global Compact Network Switzerland’s (GCNS) General Assembly, followed by a panel discussion with world experts on improving access to clean water and sanitation around the world. More than 100 participants attended, including members of the GCNS, the Swiss Confederation, academic institutions and international organizations.

During the panel discussion, Filippo Veglio, Managing Director for Global and Social Impact, WBCSD, presented the business case for the SDGs launched by the UN to mobilize businesses to eradicate poverty, promote peace and equality, fuel inclusive growth and protect the environment. Cheryl Hicks, Executive Director of The Toilet Board Coalition (TBC), confirmed the integral role businesses can play in the sanitation crisis by focusing on commercially viable, sustainable solutions to deliver universal and resilient sanitation. Dr. Dimitrios Noukakis, Director Massive Open Online Courses (MOOCs) for Africa, Ecole Polytechnique Fédérale de Lausanne, provided insights into the importance of online education to enable sustainable behaviors and accelerate change. Markus Bürli, Program Manager, Global Water Initiatives, Swiss Agency for Development and Cooperation (SDC), emphasized the importance of public-private partnerships to scale up positive impact in the area of water.

After the panel discussion, the GCNS, of which Firmenich is a member, confirmed its commitment to promote and improve corporate responsibility and sustainable business across Switzerland.

SCIENTIFIC INNOVATIONS IN FLAVORS

BEYOND SEAFOOD FLAVORS: INGREDIENTS FROM MARINE PROTEINS

For decades, the Firmenich seafood facility in Ålesund, Norway, has processed natural raw seafood material to create seafood extracts and flavors for food and beverage customers worldwide. In recent years, we have explored ways to further extract value from this process and developed natural food ingredients derived from marine protein.

To continue building leadership in this area, in April 2016, we sponsored a symposium in Norway to share the latest science and research on the health benefits of marine proteins and peptides. The event was hosted by Legasea Biomarine Cluster, a consortium of Norwegian companies, including Firmenich, dedicated to biomarine science and technology. More than 100 leading scientists joined the Crown Prince of Norway in Ålesund, the epicenter of biomarine ingredient production, for the event.

The symposium's main objectives were for important scientists working with protein and peptide nutrition to present and discuss their knowledge and explore the potential of using protein and peptides in a health and performance context. The event featured scientific presentations and discussions of marine ingredients related to digestive health, blood glucose management, satiety, weight management and muscle health. It was an important step in advancing the science behind these ingredients and fully understanding their potential as part of a healthy diet.

FLAVORS FOR ALTERNATIVE PROTEIN

Non-animal protein will be an integral part of future consumers' diets. This year, Firmenich announced our first strategic business in this space: adoption of a natural, vegan meat flavor and natural salt modulator in a plant-based patty in the U.S. We are leveraging our innovation, looking to the future and working with our clients to help shape this emerging category in the flavor industry.



© Anaël Dang

We held our fourth annual Culinary Science Event in Geneva, Switzerland, in partnership with the University of Geneva

EVOLUTION OF TASTE MODULATION

Firmenich was one of the first flavor companies to recognize the role of taste modulation technology in reducing sugar and salt in food and beverage products. Our business in this area has grown significantly in the past five years, and we continue to pioneer this work. We provide customized solutions to fit individual client's needs and consumer insights to increase market success.

EXCELLENCE IN CULINARY SCIENCE

A strategic pillar of our innovation model is to partner with leading external experts including academia. We value our long-standing collaboration with the University of Geneva in helping us drive breakthrough research. We work with Geneva's School of Science in fields including analytical chemistry and olfaction, and brain and human behavior.

We held our fourth annual Culinary Science Event in Geneva, Switzerland, in partnership with the University of Geneva, to celebrate the intersection of food, flavors and science. Attendees included the University dean and vice-dean; Professor Martin Beniston, recipient of the 2007 Nobel Peace Prize; Geneva government officials; and Firmenich clients from around the world. This year's theme was "Excellence in Plants: from Biology to Culinary".

Part of the event was held at the world-renowned Chimiscope at the University of Geneva, where participants were given the opportunity to better understand the scientific challenges of today and tomorrow. University professors and Firmenich scientists gave presentations on the biology, aromatic chemistry and culinary benefits of selected flavor ingredients. These culinary science events are part of our strategy to not only engage with science and innovation experts, but to share our knowledge and discoveries with the public.

Visiting the cardamom fields
in remote Guatemala, in June 2016



Partnerships Pathways:
Work together with the
world's leading experts
and academic institutions

PARTNERSHIPS

PATHWAYS



Firmenich has a long legacy of sustainability collaboration and partnering. Partnership-building was key to the success of our 2010-2015 Sustainability Strategy, and we continue to regularly engage stakeholders including customers, suppliers, governments, NGOs and academia.

Our vision is to partner and collaborate with other game-changing sustainability leaders to create systemic change. On our Pathways to Positive for 2020, Firmenich commits to:

- Collaborate with at least 10 leading academic institutions on sustainability innovation
- Develop sustainability projects with 50 customers globally
- Extend our innovative consumer insight program from India to Africa
- Generate gold standard carbon credits through collaborative investments



Bérangère Magarinos-Ruchat was named “Sustainability Head of the Year” by Ethical Corporation



Perfumers attended a series of immersion and innovation weeks in the ReNEW (Retrofit Net-zero: Energy, Water and Waste) House at Purdue University with the WBCSD



The Livelihoods Fund, in which we have invested since 2014, was named “Best Corporate Offsetting Program” in 2016

SUSTAINABILITY STRATEGY AND GOVERNANCE

SUSTAINABILITY GOVERNANCE

Our sustainability governance relies heavily on successful partnerships. Internally, we collaborate closely with a network of sustainability champions in all our business units. Externally, we receive valuable support and input from sustainability experts who sit on the Firmenich Sustainability Council.

In FY16, Firmenich welcomed three new council members: Filippo Veglio is the Managing Director for Global and Social Impact at the WBCSD. Filippo led the WBCSD's pioneering work on inclusive business at the Base of the Pyramid, catalyzing investments and partnerships on the ground as well as conducting research and promoting advocacy. Julian Hill-Landolt is the Director of the Sustainable Lifestyles cluster program at WBCSD. Benjamin Firmenich is a Partner at Impact Finance Management SA, whose core expertise is engaging the next generation and measuring the economic, environmental, social and corporate impacts of investments. Our new members' insights in consumer behaviors and aspirations, and expertise in driving systemic change will help Firmenich maintain our sustainability leadership for generations to come.



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The Firmenich Sustainability Council and the Sustainability team visited our manufacturing site in Grasse, France in 2016

STAKEHOLDER ENGAGEMENT

We believe that in a global economy, collaborations between organizations, industries and countries are essential to addressing the challenges of climate change, resource scarcity and socioeconomic imbalances. Cross-organizational partnerships are increasingly important to drive global initiative efficiency.

Stakeholder	Type of engagement	FY16 engagement level status	2020 goals
Employees	Training, presentation, coaching, internal communication, field visit	Strong but still dependent on regions and divisions; need to become more global	Reach 100% of our workforce through the Firmenich Sustainability Academy
Shareholders	Involvement in sustainability council, field visit, communication, meeting, reporting	Involved dialogue and support	Continue our engagement especially with the next generation
Customers	Industry conference, sustainability event, training, collaborative project, commercial initiative	More than 45 engagement sessions in FY16, and continuously growing	Develop projects with 50 customers
Suppliers	Naturals Together, Supplier Summit, field visit, data reporting	Growing as fast as customer engagement	Maintain current engagement
Associations	Conference, board meeting, individual dialogue	Steady engagement with strong potential for growth	Maintain current engagement
Governments	SDGs consultation, UN Global Compact, conference, collaboration platform (CSR Juice, TBC)	Collaboration with a diverse group of governments beyond the Swiss Administration	Engage more local governments in emerging markets
NGOs, social entrepreneurs	Advisory service, collaboration with implementing agencies, training	In-depth engagement with our long-term non-profit partners	Maintain current engagement
Academia	Research, teaching, internship	Five regular collaborations in FY16, with an increased number of requests for collaboration	Collaborate with at least 10 leading universities

PARTNERSHIPS FOR SUSTAINABILITY

Firmenich sees tremendous value in partnering with external stakeholders to advance sustainability and improve quality of life globally.

PARTNERING WITH SUPPLIERS

NATURALS TOGETHER

Firmenich's Naturals Together platform, created in 2014, aims to improve the livelihoods of 250,000 smallholder farmers while fostering biodiversity, minimizing environmental impact and encouraging collaboration between farmers, producers, creators (i.e. perfumers and flavorists) and consumers.

The platform focuses on:

- Mutual crop sale commitments that benefit growers and guarantee supplies
- Responsible sourcing practices to ensure the long-term availability of raw materials
- Innovation to drive quality and efficiency

On November 18, 2015, producers of 40 ingredients traveled from 15 countries to participate in our first Naturals Together event in New York City, New York, U.S. It was the world premiere of our Naturals Together films on smallholder farms and highlighted Firmenich's responsible sourcing strategy.

A panel discussion featuring industry experts focused on best practices to improve farmers' livelihoods while ensuring the sustainable future of natural raw materials. The event, attended by more than 200 customers and partners, concluded with the presentation of the first-ever Firmenich Source and Soul Awards honoring leaders in sustainable raw material sourcing.

RESPONSIBLE PALM OIL SOURCING

Firmenich sources Roundtable on Sustainable Palm Oil (RSPO)-certified direct palm oil for all active and new products. Regarding palm oil derivatives, we worked to develop substitutes whenever possible, and when no substitution was possible, we asked our suppliers to either provide us with certification from RSPO or Green Trade Palm.

At the end of FY16, we achieved our goal to both reduce our footprint in the palm oil industry and solely source our remaining materials from suppliers using certified sustainable palm oil.



In FY16, Firmenich participated in the Wharton Ideas for Action Competition

PARTNERING WITH ACADEMIA

In FY16, Firmenich continued working with the Wharton School of the University of Pennsylvania and participated in the Wharton Ideas for Action Competition, a platform for exploring ideas on sustainable development. We presented our sustainability work to Wharton students during the 2016 winter term, using two sustainability case studies we co-authored in 2015.

Firmenich was one of four companies invited to the class, "Exploring Sustainability as a Strategic Opportunity", held by the University of St. Gallen in Switzerland. Students analyzed Firmenich projects, visited our headquarters and worked with our sustainability team to develop case studies. Patrick Firmenich, Vice Chairman of our Board, was personally involved throughout the project.

Firmenich also delivered a series of sustainability classes at the EPFL in the Industry Dynamics course; at the Geneva Haute Ecole de Gestion in the master in Luxury Management; at Science Po Paris, in the Strategic Philanthropy class; and with University of California Berkeley's Institute of Business Innovation. In addition, Firmenich engaged in dialogues with the INSEAD Sustainability Roundtable in Singapore and Fontainebleau, France.

In June 2016, Xiaoke Chen, an Assistant Professor in the Biology department, was the first recipient of the Firmenich Next Generation Fund at Stanford University, U.S. His long-term research goal focused on how sensory information and physiological state integrate to drive decisions and behaviors. Chen's first major paper from Stanford was just published in Nature (2016), and a second is currently under review at Nature Neuroscience.

PARTNERSHIPS FOR SUSTAINABILITY

PARTNERING WITH LIKE-MINDED ORGANIZATIONS

MODA FUSION IN BRAZIL

Firmenich values diversity and inclusion and is involved in several initiatives that facilitate youth training and employment¹. In 2013, we invited Moda Fusion, a non-profit organization that runs Casa Geração Vidigal, a fashion school in the Vidigal neighborhood of Rio de Janeiro that trains and integrates disadvantaged young talent into the Brazilian fashion market, to join us at our sustainability conference in São Paulo. We were very impressed by their commitment and decided to partner with them. In 2015, our local fragrance team worked with 20 students from Casa Geração Vidigal to design a perfume that reflects their aspirations and the Brazilian lifestyle.

Firmenich donated the fragrance, and our partner, Decoridea, provided the packaging. The final product, launched in 2016, is a unisex fragrance, Trama, commercialized by Moda Fusion in Rio de Janeiro and São Paulo.

LIVELIHOODS FUND

One of the greatest challenges triggered by climate change is protecting fragile ecosystems and value chains such as mint, vanilla and patchouli. We began addressing this through our responsible sourcing programs launched more than 10 years ago in Haiti, Amazonia, Uganda, Madagascar and Indonesia.

To increase the impact of our work, we joined forces with like-minded, visionary companies in the Livelihoods Fund for Family Farming (L3F). L3F helps companies sustainably source natural products from family farmers while improving the productivity, incomes and living conditions of 200,000 smallholder farmers and their communities. Together, we are building innovative support systems to further empower communities.

Firmenich invests in Livelihoods Venture's two funds, the Livelihoods Carbon Fund and Livelihoods Fund For Family Farming participating in projects in Africa, Asia and Latin America. We announced our second investment at the Paris COP21 Global Landscapes Forum to reinforce our commitment to sustainability. In 2016, Livelihoods Carbon Fund was named "Best Corporate Offsetting Program" by Environmental Finance in the sixth annual ranking of the voluntary carbon markets, recognizing the benefits they provide to local communities, the scale of their projects, and their ability to unite diverse partners.



"Recently, sustainability research demonstrated the importance of CFOs' engagement in their company's sustainability work. My involvement in the board of Livelihoods Carbon Fund and Livelihoods Fund For Family Farming has been a fascinating journey. I believe that collaboration through such mechanisms allows Firmenich to gain scale in our positive impact on communities and on the environment."

Eric Nicolas, Group Chief Finance Officer, Corporate Vice-President Strategy and Global Services



Cerro San Gil, Guatemala

¹ See page 44.

PARTNERSHIPS FOR SUSTAINABILITY

WBCSD

Firmenich joined the WBCSD, a CEO-led organization of approximately 200 members from more than 35 countries, four years ago. Firmenich's CEO sits on the board of the Sustainable Lifestyles cluster and, in FY16, we and several other companies were enlisted by the Social Impact Cluster and Deloitte's Social Impact Practice to create a report on why and how companies are redefining the value they provide to society and addressing growth through social impact. The five strategies to achieve this ambitious goal are:

- Investing to advance external solutions already demonstrating profitability and impact
- Engaging in collaborative problem-solving to identify and test possible solutions to scale
- Securing external services to accelerate solution development
- Advancing internal solutions into a proof-of-concept through a shared proving ground
- Advancing a pipeline of solutions developed in-house

In June 2014, Firmenich signed the Water Access, Sanitation and Hygiene (WASH) at the Workplace pledge and committed to implement access to safe water, sanitation and hygiene at the workplace at an appropriate level for all employees in all premises under our control within three years. In FY16, we are under way to reach this goal.

THE GLOBAL COMPACT NETWORK SWITZERLAND (GCNS)

Firmenich hosted the GCNS General Assembly in 2016. We have chaired the GCNS board since 2011.

In collaboration with the UNGC community worldwide, we promote and contribute to activities in Switzerland surrounding CSR, sustainability and corporate citizenship. We are also an intermediary between GCNS members and the UNGC in New York.

FRUIT JUICE CSR

Firmenich is the only Flavor House engaged in the European Fruit Juice Association (AIJN) Sustainability Expert Group. In 2015, we became a board member of the multistakeholder, global organization focused on increased sustainability in the fruit juice industry.

The Juice CSR platform's overall objective is to support, guide and inspire juice stakeholders to integrate CSR throughout the supply chain. In FY15, Firmenich chaired a plenary session on behalf of CSR Juice at the Antwerpen Juice Summit, the leading global annual conference for fruit juice key players.

Firmenich is actively engaged in orange sustainability working groups and was instrumental in helping the CSR Juice Platform reinforce its partnership management.



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Firmenich is the only flavor house engaged in the AIJN Sustainability Expert Group

PARTNERING FOR SOCIAL INNOVATION

THE TOILET BOARD COALITION (TBC)

The TBC brings together leading global companies, government agencies, sanitation experts and non-profit organizations to develop sustainable and scalable commercial solutions in response to today's sanitation crisis. Firmenich joined the organization in 2014, bringing our leadership in malodor control and expertise in multistakeholder partnerships.

Firmenich is an active TBC member and sponsor. We recently attended the Sankalp Global Summit, where the Toilet Accelerator in Action was showcased for the first time. The Toilet Accelerator selects five businesses with the potential to be catalytic in creating a robust business sector of sanitation solutions to deliver universal access by 2030. Firmenich and other TBC member companies provide support, technological innovation, malodor solutions, business strategy and sales and marketing guidance.

The five businesses selected in 2016 were:

- Clean Team in Ghana, a social enterprise started in 2012. Clean Team delivers toilets to households and customers pay only for toilet unit rental and waste collection. The Clean Team is looking to innovate ways to reuse waste in the future.
- Laguna Water in the Philippines, a piped-water service provider created through a joint venture between a private utility and provincial government. In 2014, Laguna Water started exploring how to replicate portable toilet services in its concession areas to reach last-mile consumers.
- Svadha in India, a social business founded in 2013 that identifies, trains and supports local entrepreneurs who manufacture, commercialize, install and service latrine components. Svadha developed an innovative network of village-based "sanitation entrepreneurs" integrated with local and multinational suppliers/partners to build and enhance sanitation solutions.

Our criteria

The Toilet Accelerator is seeking to work with businesses that meet the following criteria:



Market-based:

Commercially viable businesses, at every point in the sanitation value chain, delivering sanitation to those without access, profitably.



Innovative/Replicable:

Product offering that is aspirational for its target market and provides an improved solution to the market. AND / OR Product offering that is proven and replicable.



Scalable:

The business is positioned to deliver sanitation at scale and is connected to the full valuechain of sanitation service delivery.



Emerging & Frontier Markets:

Target market includes populations most at risk in Asia and Africa.

© Toilet Board Coalition

- LIXIL Household Portable Toilet, a business that focuses on improving the current generation of portable toilet solutions and exploring innovative technologies for small-scale waste treatment plants.
- RFL/iDE in Bangladesh, a partnership to develop higher-quality prefabricated toilets, toilet shelters and waste treatment (biogas) to build upon Bangladesh's 100% sanitation coverage and mitigate risks of backsliding to open defecation due to poor quality, unappealing toilets.

Firmenich's sustainability and innovation, in collaboration with other TBC companies, are mentoring the entrepreneurs going through the accelerator. We are focusing on identifying olfactive solutions for each project and replicating our award-winning Base of the Pyramid (BoP) consumer insights methodology to help Svadha better understand consumers' preferences.



© Jorg Hackemann

Firmenich joined the TBC in 2014, bringing our leadership in malodor control and expertise in multistakeholder partnerships

PARTNERING FOR SOCIAL INNOVATION



© Peangdao

Firmenich works with global businesses and non-profit organizations to encourage sustainable protein production and consumption

MARINE STEWARDSHIP COUNCIL CERTIFICATION

Firmenich became the first flavor company to receive certification for the Marine Stewardship Council's (MSC) Chain of Custody standard for seafood ingredients produced from Northeast Atlantic codfish, saithe and haddock. In 2016, we received certification for whitefish, shrimp and lobster products. We are aiming for 100% MSC certification for all of our seafood ingredients by the end of 2017.

SUPPORTING THE COCOA INDUSTRY

For the third time, Firmenich was present at Chocovision, an international, biannual conference dedicated to addressing issues that impact the cocoa industry, with the objective to find sustainable solutions.

Patrick Firmenich, Vice Chairman of the Board, addressed the audience of senior business leaders, government officials and other key stakeholders, in his presentation "Doing well to do good; and doing good to do well", during which he spoke of Firmenich's commitment to sustainable business practices.

FORUM FOR THE FUTURE'S PROTEIN CHALLENGE 2040

In 2016, we scaled-up our involvement in Forum for the Future's Protein Challenge 2040, a coalition that brings the meat, plant and alternative protein industries together for the first time to tackle the question: "How can we feed nine billion people with enough protein in a way that is affordable, healthy and good for the environment?"

We joined the coalition in 2014, and will continue to be a strategic partner as the project moves into its second phase to focus on:

- Increasing the proportion of plant-based protein consumption by consumers
- Scaling-up sustainable feed innovation to meet animal protein demand
- Closing the protein nutrient loop
- Developing indigenous plants as protein sources for local communities
- Scaling-up sustainable aquaculture
- Restoring soil health

CASE STUDY: OPENING A MEDICAL DISPENSARY IN MADAGASCAR

Madagascar is the world's largest vanilla-producing country and also one of the poorest. Health and medical care are areas where even simple efforts can make a real difference in farmers' everyday lives.

Building on our long-term commitment to responsibly source natural raw materials, Firmenich co-funded a medical dispensary in the Savanille cooperative, a community of vanilla farmers in Madagascar. We collaborated with our local vanilla partner Authentic, French chef Olivier Roellinger and a key vanilla client from the U.S. The initiative was started by local women who saw a need for a dispensary, as the nearest hospital is a four-hour walk away.

Firmenich has a long-term commitment to responsibly sourcing vanilla. We started working with organic vanilla in the late 1990s, launched our first Fair Trade vanilla in 2007 and were the first flavor company to source Rainforest Alliance Certified™ vanilla in 2012.

Our future plans in Madagascar include shifting from a responsible sourcing model to a responsible business model and welcoming our clients to take part in a dedicated ethical sourcing program with Authentic. We plan to build 12 more classrooms in Madagascar in the next two years, including a preschool, which will be the first in the area.

As a strategic partner, we will work with a group of international businesses and NGOs to catalyze a system shift to more sustainable protein production and consumption. We believe there is real value in exploring the role flavor innovation can play in solving the global protein challenge.

Mint farmers, Uttar Pradesh, India

People and Communities Pathways:
Use the knowledge, skills and talent
of our people and communities for a
positive impact

PEOPLE AND COMMUNITIES

PATHWAYS



We are more than a company. We are a family with a legacy. People are the heart of our company and Firmenich must attract, nurture and keep the best talent, encourage innovation and draw on our employees' diverse backgrounds to create sustainable growth.

On our Pathways to Positive for 2020, we are committed to achieve and maintain best-in-class safety performance, empower women and youth and improve smallholder farmers' livelihoods. We set ambitious goals to:

- Improve our industry-leading safety performance by maintaining a total recordable case (TRC) rate below 0.25
- Formalize a program to further integrate people with disabilities in our business
- Certify all Firmenich sites for gender pay equality
- Build 40 responsible sourcing projects with smallholder farming communities
- Create a Firmenich Sustainability Academy to further educate 100% of our workforce on social and environmental topics
- Extend our apprenticeship program to all geographic regions



Involved in 15 responsible sourcing projects



Achieved a 41% improvement in safety performance (TRC)



Extended our apprenticeship program to five countries



Assessed 50% of our company against the Gender Equal Pay Principles

EXCELLENCE IN HEALTH AND SAFETY

In FY16, we invested CHF 13.05 million in a wide variety of projects to improve our safety performance. These included improvements or upgrades of our ventilation system, fire and explosion protection, fall protection, ergonomics, lone worker systems, pedestrian protection, confined space entry, emergency response, hearing protection, and chemical handling.

WORLD-CLASS SAFETY PERFORMANCE

We are committed to achieving and maintaining world-class safety performance in our operations. In FY15, we reached our five-year target to improve our safety performance by 50% (against the FY10 baseline). In FY16, our performance improved again. Our total recordable case (TRC) and lost time case (LTC) rates fell to 0.25 and 0.1 respectively, a 41% and 47% improvement compared to FY15. Our TRC rate fell by 72.2% against our rolling five-year baseline (FY11).

We have worked diligently over the past 12 years to achieve a best-in-class level of safety. To improve even further, we are piloting a safety awareness and empowerment project in the U.S. and Switzerland to help line managers, team leaders and supervisors reduce risks and address health and safety issues as they arise. The project involves various tools to help teams manage and challenge behaviors and reinforce core health and safety values on a continuous basis. We are also issuing additional guidance for our Health, Safety and Environment (HS&E) operational codes to increase awareness of HS&E best practices throughout the company.

We also recognize that safe actions by individuals will not, on their own, minimize risks of a major incident such as a fire or explosion. We uphold our Process Safety and Fire Protection Programs to address these high-level risks.

FIRE PROTECTION

FY16 was the third year of our four-year global fire protection capital investment program to: upgrade fire and flood protection at our largest factories, adopt measures that exceed local code requirements, and reach industry best practices. Significant progress was made this year, with CHF 4.6 million invested in Geneva, Switzerland; Grasse, France; Louvain-la-Neuve, Belgium; Cotia, Brazil; Buenos Aires, Argentina; Toluca, Mexico; Singapore; Shanghai, China; and Daman, India.



Lu Xiao, Creation Lab Technician

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PROCESS SAFETY

Creating internal expert networks is a key part of our strategy to achieve a strong and positive safety culture and increased safety competence across Firmenich. The newly created Process Safety Network facilitates expertise sharing, safety understanding and technological solutions through:

- Development and deployment of updated process safety requirements
- Review of existing tools and resources
- Implementation of new process safety indicators
- Relaunching local surveys to better understand process safety risk
- Building team competencies throughout Firmenich
- Aligning processes and practices across regions and divisions

UPDATED CRISIS MANAGEMENT FRAMEWORK

How a company responds in the early stages of a crisis sets the tone for success or failure. To manage and contain potential issues and crises, we enhanced our crisis management framework to give all employees a step-by-step guide to deal with potential threats that could affect Firmenich's reputation and/or operational capacity.

AWARDS

DuPont recognized Firmenich as the Americas' recipient of the prestigious Safety and Sustainability Award 2015 in Operational Excellence. Only eight out of 134 companies in 36 countries received these awards. Firmenich was recognized for the project, "Engaging our Teams through Improved Root Cause Analysis", and became the first company in the history of the awards to win an award in two categories.

CASE STUDY: RAISING THE BAR IN SAFETY AT NEWARK

Our Ingredients plant in Port Newark, New Jersey, U.S., achieved an extraordinary 10-year safety performance record with no LTC. During this period, management built a strong safety culture based on safe employee behaviors and process improvements.

Remarkably, the plant's safety performance was achieved simultaneously with an all-time production record. The New Jersey State Authority recognized the plant for its industry leadership and excellence in safety.

ENGAGING EMPLOYEES AND COMMUNITIES

Ms. Fanny Antille Rey (Vice President, Cold Beverages Europe), Mr. Gilbert Ghostine (CEO), Ms. Carla Carlson (Vice President, Global Strategic Beverage)



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GENDER PAY EQUALITY

Firmenich supports equity and fairness in compensation for similar jobs and performance. Our compensation plans and processes are designed with equality in mind. Our website features our compensation guidelines, including our commitment to gender equal pay.

In FY14, we conducted a study on gender equal pay in our headquarters in Geneva. The study covered 1,500 employees and relied on a statistical method provided by the Swiss Confederation, which analyzes the difference in salaries between men and women. The Swiss Confederation certified that we operate according to Gender Equality Pay Principles.

In FY15 and FY16, we began reviewing our compensation structure globally, using the same external methodology or relying on local governmental certifications when available.

At the end of FY16, we analyzed half of the Firmenich workforce and we expect to finalize the global gender pay analysis in October 2016. Action plans will be implemented if needed to ensure we reach equity and fairness in compensation for our affiliates around the world.

ENGAGING EMPLOYEES: AN HR PERSPECTIVE

Firmenich has an excellent reputation well beyond the flavor and fragrances industry: it is a family with a legacy, a company that has been continuously growing for 120 years.

Being a private company permits complete independence and a focus on long-term projects like sustainability, for example, which really is in Firmenich's DNA. At the same time, the levels of sophistication and integrity within Firmenich allow the company to share the same governance as a public company. It is the best of both worlds and as such, Firmenich has attracted remarkable talents, people who are the heart and soul of Firmenich. There is no doubt that Firmenich recognizes the importance of our people, and key to the company's success will be growing and retaining our talent.

Everybody wants to be part of a winning organization; it helps Firmenich attract and retain the best and brightest people. Growing as an organization while keeping complexity under control is key.

Being the largest family owned business in the flavor and fragrance industry, our long-term focus is definitely a key differentiator, positioning us in a unique way to focus on sustainability projects that are critical to the future of our planet and our company. As such, we also have the opportunity to propel the broader industry we are in by taking the lead on many sustainability initiatives, securing a big push forward.

ENGAGING EMPLOYEES AND COMMUNITIES



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In FY16, we developed our existing apprenticeship programs in Austria, Germany, Belgium, France and Switzerland

BUILDING A DIVERSE WORKFORCE

Firmenich signed the CEO Statement of Support for the Women's Empowerment Principles (WEP) in FY12. We have supported the statement throughout the past five years, especially in leadership, training and mentorship. We are committed to live up to the principles.

THE SENIOR FEMALE LEADER DEVELOPMENT PROGRAM

At Firmenich, we value a diverse workforce. Three years ago, we launched the Senior Female Leader Development Program to tackle human resources challenges that could limit the development of our top female talents. In the third session of the program, which began in May 2016, 22 senior female executives began their collaborations with members of our executive board or leading managers.

During the 12-month program, mentees from all divisions and countries work with their mentors and learn from their experiences in areas such as leadership, personal development and people management. This initiative is at the core of our human resources strategy. Our CEO takes part in the program as a mentor, along with our executives and leaders, to assist in the growth of our female talents.

THE WIN NETWORK

Created in 2014, Firmenich's Women's Initiative Network (WIN) is a global virtual network integrated into the Senior Female Leader Program. Its purpose is to enrich career development and work-life balance through knowledge and experience exchange among its members.

In 2016, membership in the WIN network increased 61%, with 320 active members globally. Through inspiring internal events and a digital platform, WIN provides opportunities for members to meet, discuss topics of interest and share advice and best practices.

In 2016, the WIN Network hosted events to highlight the extraordinary careers of female leaders. In March 2016, Firmenich organized a panel entitled, "Women in Boards", which brought together our Chief Research Officer and executive team member, Geneviève Berger, along with Karen Jones and Barbara Kux, who sit on our independent Board of Directors. More than 80 senior-level managers attended the event, including our CEO Gilbert Ghostine, and several members of our executive teams.

YOUTH EMPLOYMENT

Firmenich is involved in several initiatives in Austria, Russia and Switzerland that facilitate youth employment. We are also a partner in the Alliance for YOUth coalition. In FY16, Firmenich:

- Developed our existing apprenticeship programs in Austria, Germany, Belgium, France and Switzerland. These programs offer work opportunities for young people at all educational levels and in all job sectors. We collaborate with local universities and offer a wide range of internships throughout Europe.
- Supported the organization of common "Readiness for Work" seminars with other Alliance for YOUth partners. These seminars are organized on a national or local level to refine soft skills for apprentices from Alliance partners.
- Participated in education and skill-building programs in the local communities where we operate. We provided assistance in résumé writing, organized mock interviews, supported mentorship and job shadowing for young people and hosted educational visits to our facilities, among other activities.

To complement these actions, we share best practices among our locations and with other Alliance partners to increase our initiatives' relevance and impact.

COMMUNITY DAY



In FY16, 3,300 Firmenich colleagues participated in 97 projects worldwide



COMMUNITY DAY

September 2015 marked the 11th anniversary of our Community Day event. This year, more than 3,300 employees participated in 97 projects worldwide, a 27% increase in participation over 2014.

Projects included:

- Raising funds for the Débouchette School in Haiti
- Engaging 200 employees in Geneva to plant almost 300,000 flower bulbs on the Quai Wilson in partnership with the Green Spaces Department and city gardens
- Planting 80 trees in Bogotá, Colombia, in partnership with the Green Living Foundation, which aims to plant 1,500,000 trees next to the Bogotá River to aid its recovery and fight climate change
- Creating an educational sensory garden at a local zoo in the Emirates to connect the 45,000 schoolchildren who visit the zoo each year with the natural sources of the tastes and smells they experience in their daily lives

RESPONSIBLE SOURCING PROJECTS AROUND THE WORLD

Firmenich is taking a further step in our responsible sourcing program with a company commitment to engage in an impactful program: Deep Roots 2020. This program aims to secure a sustainable supply of high-quality natural ingredients, in full transparency.

Firmenich experts are directly involved in these long-standing projects, along with Firmenich suppliers and local non-profits to ensure initiatives bring sustainable, long-term positive impact and guarantee all stakeholders, including farmers, distillers and suppliers, benefit from the changes.

We set six targets for our Deep Roots 2020 Strategy:

- Build 40 responsible sourcing projects
- Reach 100,000 farmers directly through our projects
- Improve the livelihoods of 250,000 farmers
- Work with 20 key suppliers in our Naturals Together strategic platform
- Involve 50 suppliers in a continuous improvement program
- Impact 100 supply chains

In FY16, Firmenich was directly involved in 15 responsible sourcing projects (37.5% of our 2020 objective). Existing and new projects focus on:

- **Developing inclusive business** by forming cooperatives, ensuring market security, establishing a fair price mechanism and encouraging direct sourcing
- **Implementing sustainable agriculture practices** by creating intercropping opportunities and building nurseries to provide seedlings
- **Improving primary transformation of raw materials** by upgrading to more efficient and environmentally friendly distillation equipment
- **Caring for local communities** by supporting education, health, biodiversity, and finance initiatives
- **Partnering** with suppliers, non-profits, government agencies and customers, when relevant

Deep Roots 2020 is managed by Firmenich experts in natural raw materials and integrated into our overall sourcing strategy.

CASE STUDY: JASMINE CONCRETE

In FY16, Firmenich, Jasmine Concrete and an international non-profit joined forces to conduct primary research using a sample survey of 75 jasmine farmers who collaborate with Jasmine Concrete, 15 external farmers and 21 jasmine pickers in Mettupalayam, India. The goal was to develop insights on the structure, conditions, practices, and challenges surrounding this jasmine farming community.

We found that:

- 82% of jasmine farmers are small or marginal farmers with plots smaller than five hectares
- 100% of farmers consider jasmine grandiflorum farming either very profitable or somewhat profitable
- 96% of households have access to electricity, and at least 89% of jasmine farmers own consumer durables like a television, ceiling fan, two-wheeler or liquefied petroleum gas (LPG) stove
- 100% of farmers have access to drinking water and can access medical services within seven kilometers
- Farmers' children are better educated, by a wide margin in most cases, and 23% of children have completed technical professional courses like engineering and medicine at graduate or post-graduate level

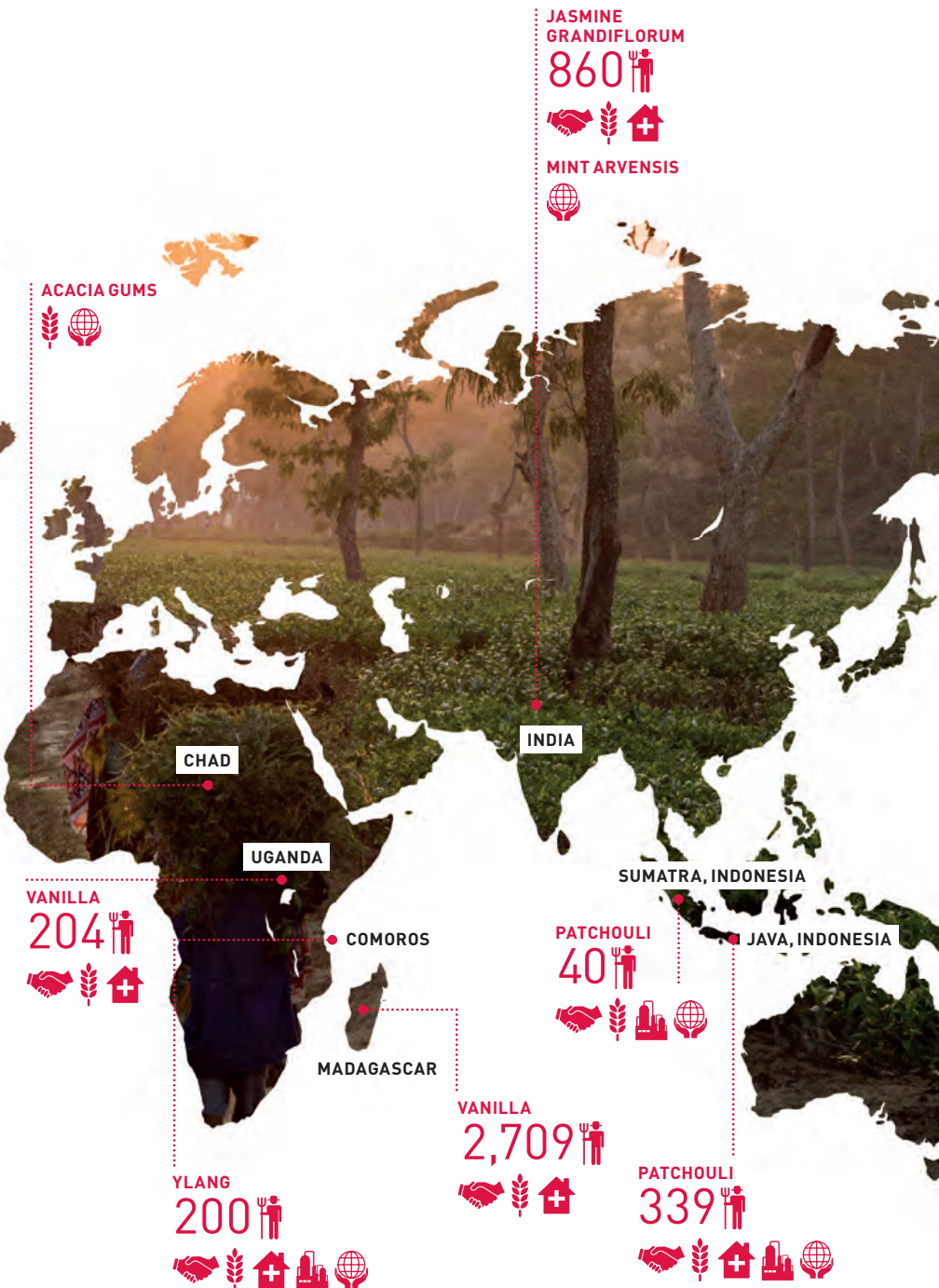
Areas of improvement identified were:

- Farm efficiency
- Untapped potential for intercropping and side revenue for jasmine farmers/pickers
- Jasmine pickers' working conditions
- Plastic bag use

Firmenich is working with Jasmine Concrete to further implement sustainable agricultural practices and improve communities' livelihoods.



KEY



CASE STUDY: FIRMENICH'S MINT

Firmenich's unique mint capability provides natural and synthetic flavors to our clients, as both forms are complementary to ensure a sustainable and varied supply.

Over the past eight years, we have developed an exclusive partnership with a U.S.-based mint producer, which resulted in a joint venture. Through this joint venture, we can ensure increased transparency in sourcing and agricultural practices, from farmers to consumers.

We also created a scientific board, which includes mint experts, to advance the sustainability of mint.

Firmenich and our partner, Essex, have focused on conventional breeding programs and on using joint innovation and R&D to deliver sustainable mint production with full traceability, increased yield and extraordinary varieties with the potential to become new signatures or tonalities for our clients.

Sustainability is key to our partnership with Essex. We are improving distillation techniques to save energy, lower emissions, and create processes that uphold the integrity of mint. Growers are using a variety of water-saving irrigation techniques specific to the landscape of their particular farms, to reduce water usage and preserve water quality.

For one of its crops, Essex separates leaves and stems during harvest, minimizing weight and volume, and reducing trips to and from the field. The distillation of leaves takes about half the time of the standard leaf and stem method, reducing the energy and water footprint by 50% without sacrificing oil quality.

To improve local livelihoods in India, our team works on improving oil and water separation after the distillation process to eliminate waste. By further separating oil and water, a greater quantity of oil can be distilled from the same amount of mint, providing additional income to local farmers.

ABOUT THIS REPORT

REPORT BOUNDARIES – ANNUAL REPORT 2016

This is our 11th annual sustainability report, as with the previous reports it covers the past fiscal year (FY16) starting on July 1, 2015 and ending on June 30, 2016. It follows our 2015 annual sustainability report.

We have chosen to separate the GRI elements from our sustainability report. Our online GRI report, also assured by SGS, can be found at www.firmenich.com.

This report and our previous reports have all been fully assured by a third party in order to maintain a level of truthfulness and insure that all the information, data and stories related to you have not been embellished and are exactly how they have been implemented/observed/calculated. This level of assurance helps us make sure that we report only the facts and that we are protected from falsehoods and misinformation, whether intentional or unintentional.

The Materiality boundaries of this report are based on the materiality analysis published in our 2015 report and updated in FY16. The boundaries of this report covers the global operations of the Firmenich Group, including affiliates in 36 countries and both manufacturing and non-manufacturing locations. In the report we refer to our 25 manufacturing sites and our 28 manufacturing plants – as three of our sites contain two manufacturing plants. The environmental, workplace and HR data reported, unless otherwise indicated, covers all operations owned or controlled by the group (including production sites, sales offices, laboratories, administrative office or combinations of such facilities). The employee data is reported for both fixed and temporary headcount.

To highlight our performance, the previous year’s data and rolling five-year data are included in this report. Some of this data may differ from figures reported in previous sustainability reports. These variations reflect improvements made in the calculation and consolidation methods as well as changes made once more accurate data became available.

Any changes in data reporting below a 5% threshold is deemed not material to this report unless it is found to be of sufficient importance to our management team, in these cases the explanation for the variation will be detailed.

EXTERNAL VERIFICATION

SGS SOCIÉTÉ GÉNÉRALE DE SURVEILLANCE SA REPORT ON SUSTAINABILITY ACTIVITIES IN THE FIRMENICH PERFORMANCE AND SUSTAINABILITY REPORT FOR 2016

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Société Générale de Surveillance SA was commissioned by Firmenich to conduct an independent assurance of the Performance & Sustainability Report 2016. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text, and data in accompanying tables, contained in this report, excluding the news on the business units for Perfumery, Flavor and Ingredient.

The information in the Firmenich Performance & Sustainability Report 2016 of Firmenich and its presentation are the responsibility of the directors and the management of Firmenich. SGS Société Générale de Surveillance SA has not been involved in the preparation of any of the material included in the Firmenich Performance & Sustainability Report 2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Firmenich’s stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for the evaluation of content veracity. The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Headquarters in Geneva; documentation and record review. Data has been assured at corporate level; original data has not been assured at site level. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of the assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Société Générale de Surveillance SA confirms our independence from Firmenich, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with Lead Quality, Environmental and SA8000 Auditor and experience in the flavors and fragrance industry.

VERIFICATION/ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Firmenich Performance & Sustainability Report 2016 is accurate, reliable and provides a fair and balanced representation of Firmenich sustainability activities in financial year ending 2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation’s Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Signed for and on behalf of SGS Société Générale de Surveillance SA – Geneva, August 2016

Stéphane Rombaldi
SGS Société Générale de Surveillance SA
Certification & Business Enhancement

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